

The polluted Po Italy pays for pigs and Parmesan cheese

FINANCIAL TIMES

WEDNESDAY JULY 21 1993

Fed sees interest rates as guide to monetary policy

Europe's Business Newspaper

The US Federal Reserve is putting increased emphasis on real interest rates as a guide to monetary policy, Alan Greenspan, the Federal Reserve chairman, said in a generally upbeat assessment of US economic trends.

He warned Congress, however, that financial markets were likely to push up long-term rates if budget negotiations this month failed to achieve the Clinton administration's goal of \$500bn in deficit reduction over the next five years. Page 12

OECD fear over training: Countries with the highest levels of job mobility are generally failing to provide adequate training, according to the OECD's annual report on employment.

Page 12; OECD reports, Page 4; No easy answers to job questions, Page 11

Profits boost for Citicorp: A sharp drop in write-offs on property and commercial loans and a fall in loan-loss provisions fuelled a profits recovery at Citicorp, the US's largest banking group. Page 13

Riot police go in: The South Korean government sent in riot police to enforce an order that workers at Hyundai Motor, the country's biggest industrial conglomerate, suspend their 46-day-old industrial action immediately. Page 4

Japanese spending down: Household spending in Japan fell 1.8 per cent in May from a year earlier, the first decline in three months and a sign of the weakening consumer confidence that threatens to delay a recovery expected this year, Page 4; Japanese PM set to quit, Page 4

Fayeds to float House of Fraser



any

The Fayed brothers announced plans for the £500m (\$749m) flotation of the House of Fraser department store chain next year excluding the Harrods flagship store. Ali Fayed stepped down as chairman of the UK stores chain, and will be replaced by Brian McGowan (left), chief execu-

tive of Williams Holdings. Until the flotation, expected in late spring or early summer next year, the stores will operate as an independent autonomous company. Page 13; McGowan rises to the bait of the big float, Page 13; Lex, Page 12; Not yet first choice for fashion, Page 19

New Zealand Rail: A US-New Zealand consortium has paid NZ\$328m (US\$179m) for New Zealand Rail. It plans eventually to float some of the company on the local stock market. Page 16

SmithKline Beecham, Anglo-US healthcare group, reported an 18 per cent rise in pre-tex profits for the three months to June 30 to £294m (\$440m), Page 13; Lex. Page 12

Blows to sell-off plans: The Russian parliament delivered a double blow to the government's privatisation programme, hy suspending a presidential decree which is central to the process and annulling a parliamentary law on the sale of state companies. Page 12; Climate of reform brings rouble back from the dead, Page 2

Take-over decision attacked: The UK's ability to stop anti-competitive airline mergers was damaged by the government allowing British Airways to take over its rival Dan-Air last year, Christopher Chataway, chairman of the Civil Aviation Authority, said. Page 5; UK seeks bigger US airline stakes, Page 3; Britisb Airways sets up first private credit union, Page 6

Warning to speculators: Speculators against the franc should remember France still has a competitive edge over its partners in the European monetary system, Jacques de Larosière, the Bank of France governor, said. Page 2

Delors wins agreement: An intervention by Jacques Delors secured a deal on the 1994-99 structural funds hudget for the EC's poorest regions early yesterday morning. Page 2

Blockade ends: Strikers at Sabena, Belgium's national carrier, lifted a blockade of Brussels international airport after causing tailbacks on roads into the airport and delaying flights.

Drug traffickers freed: Two young British women convicted of heroin trafficking in Thailand three years ago have been granted royal pardons, in response to an appeal from the British embassy in Bangkok. Karyn Smith, 21, and Patricia Cahill, aged 20, had been sentenced to 25 years in jail and 18 years and nine months respectively.

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Former Eni chairman Cagliari found dead in jail

MR GABRIELE CAGLIARI, the former chairman of Eni, Italy's state oil concern, was found dead in a Milan jail after magistrates refused to release him from charges of corruption and illicit financing of political parties.

Mr Paolo Liguori, a close friend of the family and editor of Il Giorno, the daily newspaper owned by Eni, said Mr Cagliari, aged 67, had committed suicide after 133 days in prison. He had

been found alone in his cell with a plastic bag tied round his head with a shoelace. He died of a heart attack in the prison hospital after resuscitation failed.
Mr Francesco Saverto Borelli,

the Milan attorney-general, said the former Eni chairman had left behind several letters from which "there emerges a precise intent to commit suicide and thus on the nature of his death there should be no doubt".

If death by suicide is confirmed by autopsy, it would be the ninth

since magistrates began investigating corruption in 1992.

Mr Cagliari's death sent shock waves through the political establishment. It immediately stoked a debate, initiated on July 8 hy President Oscar Luigi Scalfaro, on the abuses of the system of preventive detention. Milan magistrates in particular have used preventive detention as a means of extracting confessions.

Mr Cagliari was arrested in March for alleged corruption concerning the payment of bribes on

a power station contract won hy an Eni subsidiary. However, it soon became clear the magistrates wished to question him about his period as chairman of Eni since 1989, convinced that the state oil concern was a significant source of illicit funding for

political parties. He was refused hail on five occasions, the most recent three days ago, even though be had admitted knowing about bribes being paid at Eni. According Mr Vittorio D'Aiello, his lawyer, he friends and colleagues.

Mr Cagliari, a distinguished engineer, had extensive international experience in the oil and chemicals industries. Although a political appointment of Mr Bettino Craxi, when he was Socialist leader, he had had a long career in Eni. When Eni became a public company last August, he was forced to the sidelines as titular

The magistrates were reported still to be pressing him for details

still refused to incriminate on the reorganisation of the chemicals industry and the pur-chase by Eni of Montedison's stake in their joint venture, Eni-mont. Alleged kickbacks and illicit share deals in the 1989-90 Enimont affair are also central to the interrogation of Mr Giuseppe Garofano, the former Ferruzzi-Montedison chief executive, who was extradited from Switzerland

Background, Page 2 Editorial Comment, Page 11

Court rules against VW in battle with GM

By Christopher Parkes

VOLKSWAGEN lost more ground in its legal battle with General Motors of the US wben a Hamhurg court yesterday permitted publication of further detailed allegations of industrial espio-nage by senior executives at the German motor group.

Der Spiegel, the German news magazine, claimed that the partial lifting of a temporary injunction, imposed on it last month, upheld its claims that Mr José Ignacio Lopez de Arriortúa, now production and procurement director at VW, had 'not adhered strictly to the truth" over events surrounding his departure as a

GM director earlier this year. Adam Opel, GM's German subsidiary, claimed in a statement:
"VW has lost in all the important points involving betrayal of secrets and industrial espionage.

last Friday after the oral hearing, yesterday, although the ruling had not been made by the time the market closed. Traders said the fall was due to American selling by people speculating on the

undertaken by state prosecutors in the light of the US group's accusations.

VW admitted yesterday that the court had "extensively"

Legal reverse for VW

PAGE 4 Riot police sent to end Hyundai dispute

accepted the magazine's claimed

Volkswagen shares, which fell

Although GM was not directly involved in the civil action, which was heard last Thursday and ruled on yesterday, the allegations published in the magazine lie at the heart of a current criminal investigation being

Setback in German car output

■ GM settles truck lawsuits

right to report suspicions. But it quoted a statement last week from Mr Harald Ficus, the presiding judge, who told the open hearing that the court would not make any decisions on the truth or untruth of the suspicions. The court removed the gag pre-

venting reporting of 11 mostly highly contentious issues. These include the claim central to GM's charges, reported by Der Splegel, relating to the alleged removal by Mr Lopez and several former GM colleagues who followed him to VW of boxes of confidential construction plans and car model

VW responded to the court's findings by pointing out that the magazine remained gagged on several. These include relatively minor claims that a group of Mr Lopez's former GM associates fol-lowed him to VW like hourly-paid workers, without giving notice, and speculation about an alleged "secret" between Mr Lopez and Mr Ferdinand Piech, the German group's chairman.

The magazine was freed from reporting restrictions on claims.

Continued on Page 12



US president Bill Clinton (right) with Louis Freeh, the New York judge appointed director of the Federal Burean of Investigation

Former finance minister Balcerowicz is only east European to emerge

Pole nominated for top EBRD job

By Our Financial and

MR Leszek Balcerowicz, the former Polish finance minister. was yesterday nominated to succeed Mr Jacques Attali as presi-dent of the European Bank for Reconstruction and Development, the only east European

candidate to emerge for the post. Mr Balcerowicz, who was "shock therapy" transition to a market economy under the Mazowiecki government, was nominated by the Polish government in spite of strong signs that the post will go to a western candi-

Nominations for the vacance created by Mr Attali's resignation last week, close today.

Mr Henning Christopherson, the EC economics commissioner, is thought to be the other of two candidates whose written nomination was received at the hank's London headquarters yesterday. The French government, how-ever, has notified Mrs Anne Wibhle, the Swedish finance minister and chairman of the EBRD's board of governors, of the candidacy of Mr Jacques de Larosière, governor of the Bank of France. Mr de Larosière is regarded as

the leading contender. The French government claims wide international support for Mr de Larosière's candidacy, although the prime target of its lohhying has been fellow EC

France has claimed a moral right to field the successor to Mr Attall, following its 1990 arrangement with Britain that London would get the bank's site in return for France providing the EBRD's president.

Ms Rhaga Gronkiewett-Waltz, the Polish central bank chairman, suhmitted Mr Balcerovicz's nomination yesterday afternoon, pointing out in her letter that no candidate from eastern or central Europe had yet been considered.

Since he left the finance minis-try in 1991 Mr Balcerowicz has stuck to academia, although he has advised the Ukrainian and Lithuanian governments on ecoretorm, He

of strict monetarist discipline. Although he was praised hy western governments for steering Poland through the most difficult part of its economic reforms after 1989, his candidacy faces difficulty in gaining widespread sup-

This announcement appears as a matter of record only

But political sources in War-saw yesterday pointed out that Ms Gronklewicz-Waltz would not have gone ahead if the west had been united on a single candi-

They also claimed there had been encouragement from the US and "World Bank circles".

Mr Christopherseo's candidacy enjoys broad support among the countries, but he bas yet to receive clear support from Germany, according to EC officials

> De Larosière spells out risks to speculators, Page 2

Philip Morris extends cut in prices of branded cigarettes

the 20 per cent cut in the US price of its Malboro cigarette

industry and became known as "Marlboro Friday". But yester-day's move confirms that the price of Marlboro, the best-selling

US, seems certain to force other manufacturers of premium brands to follow suit if they have

Marlhoro's market share, which bottomed out at less than

structure. collected by Philip Morris

The indications were that the price cut, "when fully imple-mented, is driving Marlboro's share up hetween two to four share points". Growth had been coming at the expense of both premium brands and discount cigarettes

a pack, further narrowing the 22 per cent in March after falling price gap between its cheaper

Inti. Cap Mids

products and premium ones, and simplify the sector's pricing

pack of discount cigarettes would rise from around \$1.25 to \$1.31, while its premium brands have moved down from around \$2.20 to \$1.70-\$1.80.

The company's US tobacco profits have been damaged by the cuts. Philip Morris, which also makes food and drink products, yesterday announced second quarter group earnings of \$1.1bn. down 22.2 per cent. Both the figures and its price cut had been expected on Wall Street and its shares rose \$% in morning trading to \$48%.

The company said yesterday's price changes would not affect the forecast it made at the time of April's cut - that it expected operating earnings from its US tobacco business to be down by as much as 40 per cent this

Results, Page 13; Lex, Page 12

BFCE Banque Française du Commerce Extérieur USD 313,554,000 Equivalent Nominal Value Notes due 2003-2008 private financings arranged and placed by **Schroders** Capital Markets Arbitrage Hong Kong

for eight consecutive months, had risen to 22.6 per cent in May, according to Nielsen, the market By Martin Dickson in New York PHILIP MORRIS yesterday made The average retail price of a research company. Later data

hrand permanent and extended it to the company's other premium brands, which include Virginia Slims and Benson & Hedges. The company's price cut on April 2 shocked the US tobacco

cigarette in the US, had been seriously out of line with cheap, discount cigarettes before April. The company said April's price cut had succeeded in reversing Marlboro's slide in market share. Yesterday's move, which does not affect markets outside the

not done so already.

suggested Marlboro's share of the market might rise to around 24 per cent in July.

The discount sector, which consists of cheap, branded goods and unbranded generic cigarettes, has grown rapidly in recent years at the expense of premium brands and now accounts for some 40 per cent of the US market.

Philip Morris, which is also a hig producer of discount ciga-rettes, said yesterday that it would push up the price of its discount brands by some 6 cents

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> Int. Sond Service eneged Funds .

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LONDON . PARIS . FRANKFURT . NEW YORK . TOKYO

Delors ends budget revolt

A DRAMATIC intervention by Mr Jacques Delors secured a deal on the 1994-99 structural funds budget for the EC's poorest regions early yesterday

The European Commission president picked off member states one by one, putting down e revolt by ministers who feared they were about to lose their share of the Ecu141.5bn (£107bn) budget.

But the price of a 5.30 am victory was a fudging of the final sums which Brussels will deliver to member states, and some bruised feelings on the part of Mr Bruce Millan, commissioner for regional aid.

Last Thursday, Mr Millan told Mr Delors that the latter's promise of I£7.5bn (£7.1bn) to

By David Buchan and

SPECULATORS against the

franc should remember that

France still has a collective

competitive edge over its part-

ners in the European monetary

system, Mr Jacques de Laro-

sière, the Bank of France gov-

The devaluations and float-

ing of several currencies

within the EMS in the past

year "have far from wiped out

the gains made by France since 1986", be said. Since 1986

Frencb unit wage costs had

risen 11 per cent more slowly,

and producer prices bad

increased 6 per cent less, than

the average for other EMS

countries, be claimed. The proof was that France's

FFr16.2bn (£1.84bn) trade sur-

plus in the first quarter of this

year was triple that in the

"The speculative attacks of

recent days (against the franc)

on the foreign exchange markets bear no relation to the evolution of our [economic]

fundamentals," be told the

national credit council, a con-

sultative body to the central

same period of 1992.

ernor, warned vesterday,

De Larosière

spells out risks

to speculators

tiating position and triggered an avalanche of counter-claims from other member states.

Mr Delors, still suffering from severe sciatica, invited Mr Millan to bold further talks with member states in the margins of Monday's foreign affairs meeting in Brussels.

But on the day, Mr Millan refused to commit himself to firm numbers, provoking a revolt among member etates who accused him of displaying tality". Mr Millan's aidas countered that some countries blds were more than 20 per cent over budget.

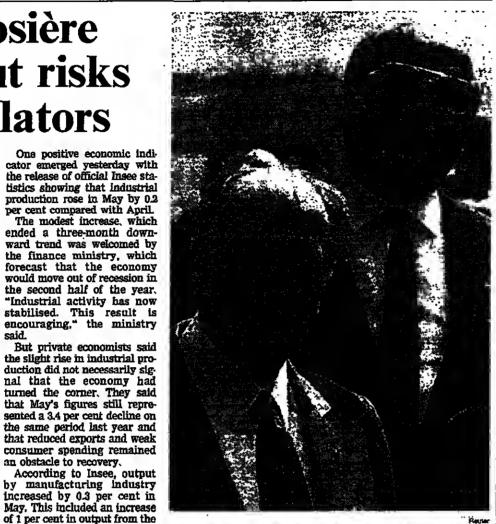
The result was that seven member states joined Ireland in refusing to back the new rules for sharing out the structural funds. Summoned from his bed, Mr Delors savaged the junior ministers present for being enti-Community and threatened to expose their greed to assembled reporters.

Then, after a performance worthy of Tammany Hall's finest, Mr Delors and Mr Millan persuaded the rebels states to accept the new guidelines, including rough indications on what they could expect to receive from next January 1. Under the deal, Ireland was

assured it would receive LE7.8bn over seven years at 1993 prices, slightly less than tha I£8bn which the Dublin government claimed it was promised at last December's EC summit in Edinburgh.

The UK received an assurance of around £2 billion with the main beneficiaries being the Highland and Islands, MerEast Germany will also receive a significant boost from the structural funds, so too areas in eastern Europe such as the Czech republic where the former communist regime in Berlin had strong trade ties. This is a new development.

But the final deal was struck only because Mr Delors received support for his own numbers. In Brussels parlance, these are known as fourchettes or brackets which contain a range of figures and depend on a mixture of trust and fudge. Just how these are allocated will depend on a final decision by the Commission in September. EC officials in Brussels were still unsure whether all of Mr Delors promises matched or exceeded the sums agreed last December in Edinburgh.



President François Mitterrand (left) and Chancellor Helmut Kohl met yesterday at Bad Schachen on Bodensee. They issued a statement promising to work toward a successful conclusion of the Uruguay Round of world trade talks but insisted it be "fair".

Cagliari's death casts shadow over inquiry

THE DEATH in prison yesterday of Mr Gab-riele Cagliari, former chairman of ENI, the Italian state oil concern, has brought to a head the long-simmering debate over the methods of magistrates investigating the natiowide corruption

Immediately at issue is the abusive use of the magistrates' powers of preventive detention that conflicts with the basic right of habeas corpus. The matter was raised by President Oscar Luigi Scalfaro in a controversial speech on July 8 when he expressed his doubts about the behaviour of magistrates: There is no doubt that the use of prison to make talk someone under investigation is against the inviolable rights of

The hulk of the politicians and a few jurists immediately sided with the president. The press was largely neutral, and may well remain so now, aware the latest opinion poll shows the public is 57 per cent behind the judges on preventive detention, with 34 per cent

But Mr Cagliari's apparent suicide, the ninth since the corruption investigations began in February 1992, inevitably raises two broader questions: has the judiciary accumulated too much power?; and has it become too politicised in seeking to extirpate a corrupt polit-

ical system?

The handling of this controversy will determine the future course of the corruption investigations and could well produce a constitutional tussle between the respective powers of the legislature and judiciary.

Parliament, where one in six members are under investigation, will do its best to exploit the occasion by trying to the shackle the magistrates' behaviour with more restrictive legislation. New legislation limiting the terms of preventive detention is already in the pipeline. The Milan magistrates, confident of public support, are unlikely to take lying down any challenge to their authority, or any suggestion that their investigations be

tempered. However, the Italian magistrature as a whole is not as combative as that of Milan. which has spearheaded the corruption investigations and has been using the most questionable methods.

The case of Mr Cagliari is an apparent suicide after being held in Milan's San Vittore jail

Robert Graham reports on concern about the abuse of power in probe of corruption

for 133 days. Latterly the 67year-old former ENI chairman shared a cell with three others. including e drug offender.

Magistrates can hold a person for up to three months. Thereafter the person has to be released unless due cause is shown by the magistrates. On five occasions, the last being only three days ago, Mr Cag-liari was refused hail while magistrates investigated a string of charges relating to illicit financing of political parties when he ran ENI from 1989

On each occasion, Milan magistrates justified the refusal on the grounds that their enquiries concerned large sums of money lodged abroad. If allowed to leave prison for house arrest, Mr Cagliari could prejudice matters, they said.

The Milan magistrates argued convincingly that ENI had emerged as the centre of the biggest single source of

parties and their friends. Mr Cagliari said he had inherited a kick-backs system at ENI and admitted to at least L27bn (£11.3m) being passed with his knowledge to the Christian Democrats and Socialists.

Mr Cagliari was also being questioned about alleged corruption in the reorganisation of the chemicals industry through the disposal of Enimont. Magistrates claimed yesterday that Mr Cagliari had recently admitted to knowing of Li0bn going to the political

Yet despite Mr Cagliari being such a key figure, he appeared to be held in prison essentially as a means of pressure to make

Mr Vittorio D'Aiello, his lawyer, insisted this was the case and released the transcript of his last interrogation on July 15 in which he said: "I have been nearly 140 days in San Vittore prison and still have sought to maintain a certain reserve on some issues. At the same time I find it ethically and psychologically difficult to adopt a course of ection which although it might help me would end up involving other people, perhaps colleagues and friends I have known for

Milan magistrates have adopted a clear carrot and stick epproach with all those under investigation. The pressures are considerable - two people have died of heart attacks under investigation, including Mr Vincenzo Balzamo, the Socialist party trea-

The second main criticism of the magistrates is that they have used the aviso di garanzia - the judicial warning that a person is under investigation - as a means of discredit-The aviso has come to be

seen as an automatic indication of guilt, even though

account for around half the

industry's output, were 19 per

cent lower in June than in the

same month last year, after

NEWS IN BRIEF Croat pressure mounts on Mostar

Mu

CROAT forces yesterday stepped up their drive to expel-Moslems from Mostar, southwestern Bosnia, as Bosnia's collective presidency discusses whether to attend talks in Geneva set to sanction the republic's partition along ethnic lines, writes Laura Silber

in Belgrade. Mr Mirko Pejanovic, a Serbian member of the presidency, yesterday said the government wanted a "federal state" with "one foreign policy and internationally recognised borders", If the war continued, Bosnia should be proclaimed a United

Nations protectorate. Mr Radovan Karadzic, the Bosnian Serb leader, warmed that "if the Moslems do not wish to lose everything they have to sit at the negotiating table as soon as possible".

Serb forces were reported yesterday to have seized the southwestern part of Mount Igman, a key defence point for Sarajevo. Bosnian radio said the Croatian Defence Council had interned 10,000 Moslems. mostly men, near Capljina southwest of Mostar. It was using them to dig trenches and as human shields.

UN body makes plea for funds

The United Nations High Commissioner for Refugees yesterday appealed to the British public to help make no an estimated \$100m shortfall in this year's \$420m bndget, writes Mark Suzmen in London. Money raised by a campaign which opens this week will go to charities working in Bosnia. Similar appeals will be made in Italy, the US and elsewhere.

Russia raises gas price fourfold

The Russian government yesterday increased by more than four times the state price for natural gas as part of its campaign to bring domestic prices: in line with world levels, writes Chrystia Freeland in

E German energy set to open up

Eastern Germany's energy sector Will soon open up to greater competition after a local council in Mecklenburg-Vorpommern yesterday settled a two-year dispute over access to power generation, writes; Judy Dempsey in Berlin The dispute delayed investment plans by western German, and foreign utilities in the region.

Short hours make many miserable...

Germans work the shortest working week in Europe - but they are not happy about it, writes David Waller to Frank furt. According to a poll by the Wickert Institute, 37 per cent of Germans complained they. had too much free time in the previous month.

Europe's trees take a beating

The state of Europe's forests deteriorated again last year with nearly a quarter of trees suffering defoliation of at least 25 per cent, according to an annual survey by the Euro-pean Commission and the United Nations Economic Commission for Europe, writes Frances Williams in Geneva. Weather, insects, fungi, forest fire, action of man, game and air pollution were all blamed, but most countries said air pollution was a factor.

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THE legal squeeze on the top management of Volkswager Christopher Parkes on the latest was intensified yesterday as a

an obstacle to recovery.

motor sector, reflecting the

launch of new models by Peu-

got, Renault and Citroen, the

French carmakers.

Hamburg civil court loosened reporting restrictions imposed last month on Der Spiegel, Germany's leading news weekly. The result will open up once

again the public debate on claims by General Motors of the US and its German subsidiary, Adam Opel, that Mr José Ignacio Lopez de Arriortúa, a former GM director, and several of his associates who joined VW with him, took industrial secrets with them to the German group.

Meanwhile, speculation mounted that state prosecutors, investigating possible criminal charges in the light of GM's claims, will make e for-mal statement later this week. After yesterday's ruling, which followed an open hearing last Thursday, the magazine can, for example, resume reporting on its earlier claims that Mr Lopez took boxes of industrial secrets with him round of the secrets row

torship at VW in March. It may also pursue Its charges that Mr José Manuel Gutierrez, a close associate of Mr Lopez who followed his former GM chief to VW almost immediately, asked for and was given "strictly confidential" details of a new GM diesel

The court, which imposed a

when he quit GM for a direc-

a speech, intended to explain to GM employees why he had

gagging order at VW's request last month after the publication of two detailed articles, also lifted the injunction in regard to a claim that Mr Lopez had "reached an agreement" to join VW with Mr Ferdinand Piech, at the start of this year.

In an affidavit presented in court last week, and signed by

stated that Mr Lopez decided to move on March 9. The court also accepted testimony that Mr Lopez had in effect written

decided not to join VW, which was not in the event delivered. After checking the final draft on the morning of March 15, he left the US for Germany. Mr Lopez stated in an affidavit presented last Thursday

that he did not write it, and that it had been written by Mr Lopez and VW were represented at the hearing by a

single lawyer while Der Spiegel had more than 20 witnesses, all GM employees, on hand to support its case. although only three were called. All the claims on which the court loosened the gag yesterday have been firmly and consistently denied by VW and its executives, although as Mr Harald Ficus, the presiding judge, said last week, his court was not the place for deciding the truth or otherwise of the suspicions which were aired in Der Spiegel.

obliged to bear most of the costs of the case. In German courts apportion-

ment of costs shows the extent to which the parties involved have gained or lost, according to legal experts. On the single issua of Der Spiegel's reports on diesel

was made responsible for the whole DM100,000 (\$58,139). In another case, which con-cerned complaints made in the German group's name - including Mr Piech'e claims on the planning and timing of Mr Lopez's switch - VW was

Legal reverse for VW and Lopez bottom, it added, but condi-

However, Volkswagen was

engine secrets, Mr Gutierrez

obliged to pay two-thirds of the DM500,000 costs.

German car production sinks lower in June

By Christopher Parkes

THE slight improvement in German car orders, detected during May, ground to a halt again last month, the VDA automobile industry association said yesterday.

June production of all vehicles, adjusted to allow for

an extra working day this year. was 29 per cent lower than a year earlier at 344,000. Unadjusted output was down 25 per cent, the association said. Despite last month's setback the decline in the car industry appeared to have reached the

tions for commercial vehicle makers were continning to deteriorate in a slump which has now entered its third year. June's poor performance brought the cumulative decline in motor manufacturers' output to 25 per cent for the first half of this year. in absolute

figures, car production has tumbled 625,000 to 1.975m. Output of light trucks up to 6 tonnes fell 34 per cent or 37,000 units to 72,000 between January and June, while output of other commercial vehicles was down 36 per cent compared with the same period last year. Most manufacturers have dealt with the slump by closing their works for at least one day a week for most of the year so far, while tackling the industry'e structural problems with

radical cost- and job-cutting the bottom. Car exports; which Meanwhile, the industry has

been busy reducing heavy stocks of vehicles which accumulated when the forecast recovery in international markets failed to appear at the end

being 25 per cent and 24 per cent lower in the two preceding months. Overall, car sales abroad are Inventories were further 20 per cent down in the six German vehicle production and exports Production Exports 1993

1993 2,600,091 1,974,600

1,318,685 1,053,000 Commercial vehicles (up to e tonnes) 52,788 2.086.200 1,404,920 1,115,800 2,787,131 Source: VDA Automobile Industry Association bloated by a sudden slump in months to the end of June.

domestic demand after the summer holiday period last year, when the post-unification sales boom ran out of steam. The German trade enjoyed a brief surge late last year, inspired by buyers rushing to avoid the effects of a one percentage point increase in value added tax in January, before

continuing its decline. There are still no clear signs of overall improvement in Germany, where recession and fear of unemployment are still affecting demand, but there are some indications that foreign

The VDA, which in May reported a small improvement in car orders for the first time this year, said government plans to increase fuel taxes next January were hampering At the start of the year most

German manufacturers fore-cast a 20 per cent drop in domestic car sales for 1993 and a decline of around 10 per cent in Europe as a whole. New registrations in the European Community in the first half were down 19 per cent, according to the European motor

Climate of reform brings rouble back from the dead Chrystia Freeland and Edward Balls report on Russia's currency revival

A steady devaluation, the Russian rouble is bouncing back.

Russia's currency has appreciated in value by 8 per cent over the past month. It now trades at Rbs1,010 to the dollar, up from its June 15 low of Rbs1,104.

The rouble's recent performance has become so robust that, after months of futile efforts to prop up the currency, Russia's central bank bas been able to intervene heavily to build-up foreign exchange reserves and prevent the appreciation going too far. Western experts, close to the

Russian government, estimate

have bought as much as \$1bn (£600m) in the past month since the appreciation began, a third of which the bank has accumulated in the last week. The rise in the rouble is evidence that the Russian government's efforts to stop the

granting of central bank credit

are working - and perceived to

be working. "What we are see-

gramme," says Mr Charles Blitzer, the World Bank's chief economist in Moscow.

Mr Blitzer believes that the events of the last few months have created the perception that the Russian government is serious about reforms and boosted confidence in the Russian currency.

The eurpriee popular endorsement of President's Yeltsin's market reforms in the April referendum was followed in May by a credit agreement between the Russian govern-ment and the central bank. This agreement was subsequently approved by the international Monetary Fund and allowed the first tranche of the IMF's "Syetemic Transformation Facility", worth \$1.5bn (£1bn), to be disbursed in June.

However, only in the last

month has the government

begun to prove it will imple-

ment this tight credit policy.

Mr Boris Fyodorov, minister of

ing are the first effects of a finance, has been able to out-

step-by-step stabilisation pro- manoeuvre advocates in parlia-

ment and some sections of the cabinet of heavy spending by refusing to dishurse credits issued to his ministry.

The rouble'e new-found strength has prompted Mr Fyodorov to make a public offer to weger Rbs50,000 (about the average monthly salary) believe that the rouble will either maintain its current rate against the dollar or continue to rise.

Disgruntled Russlan industrial bosses say Mr Fyodorov's refusal to release credits to them is one of the reasons why the finance minister might win his bet. Mr Valery Remizev, vice-president of Russia's gas monopoly, Gazprom, one of the country's principal exporters, complained yesterday that the tight-fisted policy of the ministry of finance is forcing his company to purchase roubles with its hard currency earnings in order to cover its wage and tax bills. The government estimates that Russian compaRouble, age (Ribs per \$) Market price of privatisation Apr 1993 Jul Source: Mascow Internetional Quirency Exchange, Russian Stock Exchange

nies have up to \$10bn stockpiled within the Russian banking system, backed by deposits in correspondent accounts abroad.

A further incentive for Mr Remizev and other factory managers to buy roubles with their dollars is the rising cost week the central bank raised appreciation is the massive

its discount lending rate to 170 per cent a year, double the level of a month ago. The increase in interest rates, and expectation that the tight credit policy will bring inflation down, are discouraging factories from borrowing to finance their working capital. of borrowing in Russia. Last A third reason behind the

to the private sector. The pace of voncher privatisation is picking up. Back in February, the gov-

ernment's privatisation vouchers, which have a face value of Rbs10,000, were trading for only Rbs3,700. They have since all but regained their face value, exceeding it on some exchanges.
Yet the rise in investor con-

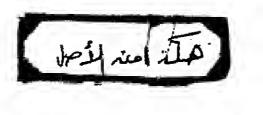
fidence that partly explains the current appreciation of the rouble could just as quickly vanish if the reform momentum falters and inflation does not come down from its current level of 17 per cent a month in June. Mr Jeffrey Sachs, a Harvard

economic professor and government adviser, is urging the Russian government and the IMF to take advantage of the current optimistic mood to negotiate a stand-by agreement before the end of the summer. Such an agreement could unlock the \$6bn stabilisation

fund, part of the aid package agreed by the group of seven industrialised countries, which would then allow the government to fix the exchange rate. A senior G7 official said recently he believed the Russian government had taken the decisive steps needed to unlock the second \$1.5bn tranche of the STF. He called for accelerated negotiations to agree a stand by agreement before the

IMF officials will need to see evidence the Russian govern-ment has cut back on the eubsidies to industry and agriculture. The government has taken bold step in the right direction, raising the price of natural gas eevenfold yesterday and freeing coal prices earlier this month.

But without still deeper cuts in these subsidies, stabilisation cannot work. Yet if these subsidies are cut, then industry will really scream. That, says Mr Blitzer, is when "the fiscal crunch will really start to bite. There has been serious progress, but I don't think the Russian economy has turned the



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Unctad's World Investment Report

Multinationals take lead as world economic force

VERSEAS investment by multinationals has become a bigger force in the world economy than world trade, according to a report from the United Nations. in 1992 sales generated by multinationals outside their country of origin totalled \$5.5trillion (million million). compared with total world exports of \$4trillion.

Transnational corporations (TNCs) now control one-third of the world'a private sector productive assets. The stock of foreign investment worldwide totals \$2trillion. In national terms, the biggest owners are the US with \$474bn and the UK with \$259bn. Japan is catching up fast with \$251bn.

Growth in foreign direct investment is set to take off again after a period of decline, according to the report. in particular, investment in the developing world could double in real terms by the year 2000 from \$40bn last year.

for the second year running, from \$183bn to \$150bn, compared with a peak figure in 1990 of \$234bn. But inflows to the developing world carried on rising, while those to the developed world fell sharply.

The latest decline follows a pariod of growth well above average. During the past two decades, the average annual rise in investment was 13 per cent in tha period 1986-90 the average was 28 per cent. The report attributes this to the economic boom of the late 1980s and a consequent wave of mergers and acquisitions, and to one-off policy changes such as the announcement of the EC single market.

The underlying trend is still upwards, the UN says. There is continuing liberalisation in policies towards foreign investment, especially in services such as telecommunications, transportation, utilities and

In addition, the report argues, "international production has become a central structural characteristic of the world economy". This is partly a result of the revolution in communications, which allows companies to integrate more fully with their overseas subsidiaries. Assuming trade liber-alisation continues, companies will still have the incentive to

locate production in low-cost

countries from which they can

The report points to privati-sation as helping the trend. From the mid-1960s to the early 1970s, lt says, many developing countries expropriated multinationals' assets in the belief that control was the key to economic independence. From the mid-1970s, inward investment came to be seen as the way to attract foreign capital and technology. Multinationals have been particularly involved in privatisation in Latin America and Eastern

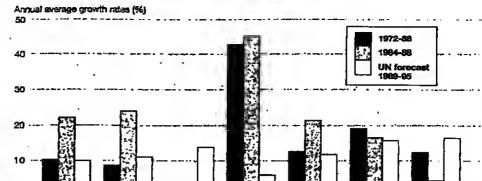
However, the report warns

economic growth remains weak, technology transfer proves disappointing or world markets are closed through

By the early 1990s the world total of transnational corporations had reached 37,000, with more than 170,000 foreign affillatas. Because of non-equity arrangements such as franchising and licensing, thia is claimed to underestimate their true influence.

More than 90 per cent of TNCs have their headquarters in the developed world. Almost 60 per cent of all parent companies are in manufacturing, 37 per cent in services and 3 per cent in the primary sector. There is an increasing concentration of investment in services and technology-intensive manufacturing, with a declining share in the primary sector and resource-based manufacturing.

Foreign direct investment inflows



per cent of the companies. The world's biggest transnational corporation, by size of overseas assets, is Royal Dutch Shell. Next come Ford, GM, Exxon and IBM. Of the top 20, seven integration, the report says. Companies are locating central are American, three Japanese functions in whichever country two German, two Anglo-Dutch and two Swiss, with one each from the UK, Holland, Italy and France. The list does not

106.5

26.7 36.5 30.6 \$7.6

39.6 46.8

Source: UNCTAD

include financial corporations. Investment in developing countries continues to show a clustering pattern, with Japan increasingly dominant in Asia. the US in Latin America and However, the report warns is highly concentrated, with the trend could reverse again if half the total owned by just 1 and much of Africa. However,

investment is crossing regions The strategies of TNCs are fostering world-wide economic

" rate not meaningful as several years negative

is most cheap or efficient. The report argues that such activities cause integration between countries even in the absence of formal agreements such as the EC single market. Asian economies have been more closely integrated by the production strategies of Japa-nese companies, while US companies were establishing links

tion of the North American Free Trade Agreement.
"The traditional division between integration at the corporate and country levels begins to break down," the report says. "TNCs . . .

encroach on areas over which sovereignty and responsibilities bave traditionally been reserved for national govern-

World Investment Report 1993: Transnntionnl Corporations nnd Integrated Internntional Production. United Nations Publications, New York, \$45.

Source: UNCTAD

Tony Jackson

An open door alone is not enough to attract cash

S multinationals inte-A grate their operations, grate their global account for an increasing share of world trade and investment, they present new challenges for policy makers. Liberalisation may no longer

he enough to capture a share of international investment capital, the World investment Report says. More pro-active measures are needed. While it challenges the value of tax holidays and other fiscal incentives, it calls on governments to "play an active role in improving their economies as locations for foreign invest-

Noting that 90 per cent of foreign direct investment goes to industrial countries, and that a further 8 per cent goes to just 10 countries in Asia and Latin America, it says the potential "is considerable" for developing countries to capture increasing investment flows over the decade ahead as long as appropriate poli-

cies are adopted. "Modern financial services, telecommunications, transport and utilities are essential for developing countries, not only to bolster the efficiency of the wider economy and improve the competitiveness of the export sector, but to insert uselves into the system of integrated international pro- steadily harder to pinpoint

oreign Total sales sales Corporation assets Royal Dutch Shelf 47.1 47.3 **UK/Netherlands** 106.4 Petroleum refining 106.4 173.7 180.2 67.7 67.6 59.3 30.2 28.0 30.6 41.7 United States United States 55.2 52.5 Motor vahicles and perts Motor vehicles and parts Petroleum refining Exxon 45.7 31.6 United States Computers British Petroleu United Kingdom Petroleum refining Asea Brown Bover Switzedano Industrial and farm equipment 26.9 Nestie Philipa Electronics Switzerland Food 23.3 22.3 United States Petroleum refining Lindows UK/Netherland 24.7 62.0 66.3 43.1 32.6 42.0 42.6 73.8 153.9 38.9 Japan Italy Germany **Flactronics** 19.5 Motor vehicles and parts Electronics Sony Japan Electronics Elf Aquiteine Petroleum refining 17.0 France Trading 16.7 16.5 Bectronics Du Pont

The largest 20 non-financial transnational corporations, ranked by foreign assets, 1990 (\$bn)

Noting that an efficient private sector "is unlikely without an efficient public sector", it calls for public institutions to be "restructured according to modern organisational and

management practices". The complex integrated relationships between parents and affiliates across the world are challenging nationally-based legal control. This raises the question of whether such multinationals should be treated differently from domestic companies as well as making it

and where tax should be paid. The reason liberalisation alone is no longer enough is that an increasingly large number of developing countries have opened their economies in similar ways. Governments keen to attract foreign investment *should go beyond general, broad hased efforts and focus on particular functions (eg regional headquarters, research and development, accounting) for which they believe they have certain

advantages' Also countries must: where legal responsibilities lay • Care less about ownership

structure of a multinational hased inside their borders, and more about attracting investment in the first place: "It is more important to host tech-nology than to own it." Market themselves attrac-

· Focus on service industries. as these will account for an increasing share of foreign investment flows in the decade

 Develop policies to encourage small and medium-sized domestic industries, as such of which policies can attract investment cessful". from the increasingly numer-

ous small and medium-sized transnational corporations. · Cut transaction and "has--sle" costs while minimising the risk and uncertainty many foreign investors feel when enter-

ing a new market. • Ensure assistance is available to foreign investors after approval has been given for an investment. • Protect intellectual prop-

living overseas, and consider export processing zones, "some of which have been quite suc-

erty, seek help from nationals

increasingly determined by fac-tors that go beyond cheap labour, and depend on overall national competitiveness.

It challenges strongly tha use of fiscal incentives such as tax bolidays: "An incentive competition between governments is very costly, particularly for developing countries, and can generate inefficient investments with disappointing results. If it goes too far, not even the 'winning' country obtains a net benefit."

It nevertheless concedes that incentives have been effective in influencing the direction of investment, It refers to a recent World Bank study in which two-thirds of 74 cases showed the final decision on where to invest was influenced by incentives.

The report calls for international co-operation - through the Organisation for Economic Co-operation and Development or the UN - to negotiate incentives down: "international harmonisation of incentives is a difficult thing. But given their limited effectiveness, their tendency to distort investment, trade flows and the danger of an incentives war, a concerted effort in this area would be desirable.

Examining the increasing problems linked with pin-pointing the "legal personality" of a "International production is international co-operation in

areas such as competition policy, disclosure of corporate information, common accounting principles, and regulations for environmental protection.

Co-operation is also urgently required on the issue of taxing multinationals, and answering questions such as where taxable income is earned, how it is distributed across different countries in the production chain, and how taxes should be allocated.

The issue has been highlighted in the US, where California is challenging conven-tional "arm's length" international tax practices by insisting it can tax multinationals operating there by calculating a sum based on the staff employed in the state, the investment made, and the value of output, as a proportion of the TNC's global activi-

The UN report is sympa-thetic to such a "unitary tax", hut warns of complications because such a tax assumes profit is spread uniformly across all stages of an integrated production system and does not take into account that production costs vary from country to country.

It calls again for International co-operation as the only solution to these problems.

David Dodwell

Mexico pressed to move against Canadian wheat

By Nancy Dunne in Washington

THE US Republican leader, Senator Robert Dole, and Senator Max Baucus, chairman of the Senate trade sub-committee, are putting pressure on Mexican President Carlos Salinas to bring a countervailing duty case against "unfair Canadian wheat subsidies".

in a letter to President Salinas last week, tha two senators linked the president's response to their support of the North

erwise get caught in a price-cutting trade war between US and Canada, "placing them in American Free Trade Agree- a position where they could

ment. Bringing a CVD case "would indicate a strong desire to guarantee that the Nafta will provide continent-wide trade, free of export subsidies," they said. "Failure to address this problam jeopardises the

support for the Nafta among

wheat producers and their con-

gressional representatives." They said a CVD case has the strong support of Mexican wheat farmers, who might oth-

not compete with the resulting lower prices". A Mexican trade analyst said

complaining to the president is "not the appropriate channel. . . it is for the Mexican farmers to go to the Ministry of Commerce." If Naîta is approved, there would be a mechanism to address this kind of complaint, he said. US lawmakers have been furious that Canada has dominated the Mexican wheat mar-

ket for the past three years and insist it is due to subsidies by the Canadian Wheat Board.

Skoda Plzen nears Siemens pact

By a correspondent in Prague SKODA Koncern Pizen, the Czech republic's largest eogineering combine, is on tha verge of finalising a joint venture with the German company Siemens to manufacture steam turbines. The deal ends two years of uncertainty over the future of Skoda Pizen's turbine

Mr Lubomir Soudek, Skoda Pizen's chairman, indicated last week that he had given the Siemens team until the end of this week to agree to five main conditions. An official has confirmed that arrangements for the signing of the memoran-dum of understanding will be

made this week.

Discussions with Siemens relating to a transportation joint venture are not being pursued. Skoda Plzen already has joint ventures with Brown & Root, and Dorries Scharmann and Secheron, and is separate from Skoda Auto. the car maker now owned by Volkswagen.

The company is undergoing internal restructuring which has involved cutting the num-ber of employees from 38,000 to 21,000. All 34 divisions had to show plans last month, the first time management had seen a breakdown of basic input costs lika power conaumption. New investment

areas include eco-technology such as incinerators and

nuclear waste fuel containers. A subsidiary is discussing with an American company plans to develop its prototype electric car. Skoda Pizen has also teamed up with Alcatel Alsthom to bld for a metro contract in Prague.

in addition Skoda Plzen has signed a preliminary agree-ment with a Russian partner and is lobbying the Czech government to sell its inter-government discounted debt to finance the project. Skoda Plzen has also brought together a consortium of 12 Czech companies to produce arms to modernise the Czech

and other east bloc armies.

Mr Soudek, who was appointed managing director by the first post-revolution government and then sacked.

was reappointed last autumn to turn the company around. His approach to the company's restructuring problems is to strike hard deals and look again at traditional markets like Russia, China and India. After falling into crisis last

autumn, the company is owed Csk5.6bn (£127m) by other companies, equivalent to more than half last year's produc-tion, plus Cskl.3bn by the Czech government for 60 loco-

Malaysia urged to boost Gatt role

MALAYSIA's rapld economic growth over the past two decades owes much to expan-sion of its international trade, making it a major beneficiary of the liberal world trade regime, the General Agreement on Tariffs and Trade says in a report published yes-

terday Malaysia, which has a population of just 18m, has transformed itself from a commodity producer to an important manufacturing centre. Exports and imports each now account for almost 80 per cent of GDP from under 50 per cent in the 1960s, and Malaysia bas become the 16th largest trader

in Gatt. In the light of Malaysia's increased weight in interna-tional trade, "it would be proper for Malaysia to consider fuller integration into the Gatt system and to assume more responsibility in it", the

report says. It notes, among other tblngs, that Malaysia bas "bound" (agreed not to raise) only 1 per cent of tariff lines in Gatt, and has joined only one of Gatt's nine voluntary codes of trade practice. While tariffs average only about 15 per cent, certain "strategic" sectors such as car production are protected by high tariff

and non-tariff barriers. In general, however, Gatt members who discussed the secretariat's report this week were full of praise for Malaysla's achievement. Real GDP growth has averaged about 6 per cent in the 1980s and just under 9 per cent in the early 1990s. Per capita incomes have risen by nearly 7 per cent a year to \$3,100 (£2,067) in 1992. putting the country well on the path to its stated objective of developed country status by

the year 2020. Foreign investment has played a blg part in thesc developments. Since 1967, the report notes, 60 per cent of manufacturing investment has been based on foreign capital, largely directed to export production. The share of manufactures in total exports has risen from about 22 per cent in 1980 to 69 per cent in 1992.

Malaysia has become the world's largest exporter of room alr conditioners and ranks among the top three exporters of semiconductors. Electronics, textiles and rubber-based products account for over 70 per cent of manufactured exports.

In commodities, Malaysia world timber exports, is the world's biggest producer of palm oil and has significant sales of crude petroleom, rubber and tin.

The report also draws attention to the fact that, in recent years, there has been a shift in Malaysia's trade policies towards closer integration within the Association of South-East Nations, comprising Brunei, indonesia, Malavsia, Philipptoes, Thailand and

Singapore. The Asean Preferential Trading Agreement, signed in 1977, provides for preferential margins of between 25 and 50 per cent on imports originating in members states. At the begin ning of 1992, Asean members agreed on a Common Effective Preferential Tariff Scheme with the aim of achieving an Asean free trade area within 15 years from the beginning of

UK seeks bigger US airline stakes

By Daniel Green

THE UK has called on the US to allow foreign airlines to take not served by UK carriers larger stakes in US carriers. in evidence given to President Bill Clinton's emergency government commission on the US airline industry, the UK government also defended British Airways against accusations by US carriers that it was tco dominant at the world'a busiest international airport, London's Heathrow.

Britain is keen to present a strong case to the Commission which it believes will influence talks already under way between London and Washington over reforming the rules on passenger traffic between the two countries.

Earlier this week, the commission recommanded tentatively that foreign airlines be allowed to own up to 49 per cent of the voting stock of US carriers. The current limit is 25 per cent. Its final report is to he published next month.

US domestic market.

Most transatlantic passengers starting or ending in cities spent their entire journey on US carriers. "Foreign airlines are effectively being denied access to one third of transatlantic traffic, approximately 3m of the 9m transatlantic passengers," said the UK. This was "a cause for concern".
The UK argued that BA's

most US carriers had at their main hub airports.

The arguments are unlikely to sway US Department of Transportation officials. They have signalled their determination to win concessions from the UK government on US airlines' access to UK airports,

share of Heathrow business, at

38 per cent, was far less than

especially Heathrow. Representatives from the US Department of Transportation and their UK counterparts will meet next week in London in the latest round of talks. The two transport ministers have The UK argued that US air- set a deadline of April 1994 to lines have unfair access to the agree on a new package.



John Cahill at a Taipei news conference yesterday

BAe chief warns of obstacles to joint venture with Taiwan

By Dennis Engbarth in Taipel and Daniel Green in London

OBSTACLES still remain in the way of the proposed £250m joint venture between British Aerospace and Taiwan Aerospace Corporation (TAC), said Mr John Cahill, BAe's chairman, yesterday. He warned that the deal must be completed by July 31.

The plan to transfer produc-tion of BAe's regional jet (RJ) airliners to the joint venture is fundamental to the restructur-ing and recovery of BAe'a loss-making civil aircraft busi-

The deadline for the final cooclusion of the venture had already been postponed twice, said Mr Cahill "We have a mandate Ifrom BAe's board of directors] which expires at the end of July. I doubt very much that it could be extended beyond the end of July."

Mr Cahill said he nevertheless expected scon to "receive the necessary written assur-ances from the Taiwan government and financial institutions to enable this joint venture to go ahead."

He said one obstacle was that a plan to create a company for leasing the aircraft was still not finalised. A consortium of Taiwan banks have been asked to provide \$400m (£267m) to finance the leasing company and \$60m in working capital.

But the group, led by the Chiao Tung Bank, tha stata development bank, have questioned the market outlook for the RJ and the risks involved in the leasing operation. Mr Cahill argued that the BAe executives had assured

the local banking community that "leasing is a good business for banks to be in. It's a profitable business." Mr Cahill also said TAC

"needs the support of the banks for a relatively short space of time. Within two or three years, they will have established their credibility as a good, sound, solid company and they can then borrow on

their own assets and reputa- to mainland Chinese users. tion just as BAe can." Mr Charles Masfield, president of BAe's regional jet unit.

said: "Avro will be profitable in its first year of trading." The reason for the link with TAC was to "ensure maximum penetration" into the rapidly growing Asia/Pacific market for aircraft with "a partner with full production capability, design, engineering and sup-port capabilities," said Mr Mas-

By producing aircraft or significant portions of aircraft in this region, we will be able to produce lower cost aircraft and be able to sell the aircraft at tower prices, even with the profits Avro will be mak-

Mr Cahill said mainland China would be a big market for the aircraft, as airline traffic in China was "growing at about 30 per cent a year".

BAe had heen selling regional aircraft to China for 40 years and had already sold

He added: "The size, payload and capabilities of this aircraft [the RJ] will make it more suited to the PRC [People's Republic of China] market as China's west opens up."

Mr Masfield said BAe would be "very disappointed if we

don't sell more than 100 regional jets into the PRC". He did not set a time frame for the figure, although BAe anticipates production of RJ and RJ-X aircraft to reach 382 by 2000 and 1,157 by

2011 The size of the broader mainland China-Taiwan market will also be increased by sales to Talwan-based airlines flying to the mainland when direct air links are estab

Mr Cahill met officials of Taiwan's Ministry of Economic Affairs, the Chiao Tung Bank, and legislators from both the ruling Kuomintang and opposition Democratic Progressive party during his two-day

Riot police sent to end Hyundai dispute Market bully

government yesterday demanded that workers at Hyundai Motor suspend their industrial action immediately and sent riot police to enforce the order.

The swift intervention is meant to end the 46 days of labour strife that has disrupted South Korea's biggest industrial conglomerate. Hyundai Motor is the largest

of the nine Hyundai companies still affected by stoppages that began in early June. Hyundai

remain before talks are com-

pleted, the ultimate goal

appears to be an improvement in US-North Korean relations

in exchange for Pyongyang's acceptance of full nuclear

North Korea has been seek-

ing expanded ties with the US

to break its diplomatic isola-

tion and encourage foreign

investment that is needed to

Pyongyang agreed in Geneva

to begin talks with the Interna-

tional Atomic Energy Agency (IAEA) on complete inspec-

tions of its nuclear facilities.

North Korea last year

allowed the IAEA to conduct

regular scheduled inspections

of declared facilities at the

Yongbyon nuclear complex,

but barred access to two unre-

ported nuclear waste sites. The

IAEA wanted to examine the

sites to determine if North

Korea is reprocessing more

plutonium than it has dis-

The "special inspections" of the sites demanded by the

IAEA prompted the country in

March to threaten to leavs the

nuclear non-proliferation

Pyongyang accused the

IAEA of not being impartial in

its demand for the special

inspections, the the first time

South Korean officials sug-

gest that the IAEA may with-draw its demand for special

inspections in a face-saving

gesture if North Korea allows

the agency access to the two

facilities under another form of

North Korea also promised

to resume talks with South

Korea on mutual nuclear

inspections as stipulated in

If progress is made in Pyong-

yang's talks with the IAEA and

South Korea, the US will hold

more talks to discuss improv-

ing ties with North Korea

One initial step in develop-

ing ties would be US assistance

within two months.

their 1991 non-nuclear pact.

save its troubled economy.

result of the partial strikes at the country'e leading vehicle maker. This accounts for twothirds of total losses in turnover suffered by Hyundai during the dispute, while total production losses amount to Won1,230bn, including business lost by 2,500 subcontractors mostly affiliated with Hyundai Motor.

In targeting Hyundai Motor, the government hopes to persuade workers at the other striking Hyundai companies to John Burton reports on Seoul's tough stance on industrial unrest

and working conditions and

return to work. The government invoked its emergency powers to intervene because it fears that the continuing labour conflict could affect Korea's economic recovery by reducing exports. Officials estimate that the country has already lost almost Won250bn in exports, mainly

motor vehicles, due to the striks. Although Hyundai Motor workers bad resumed normal schedules lats last week in a conciliatory gesture to management, they threatened to resume partial strikes today and stage a general strike on Friday if no progress was achieved in negotiations. Hyundal Motor workers are

form of industrial action until August 8, while the government mediates in the dispute, possibly imposing a settlement.

As many as 10,000 police are being deployed to Ulsan - the south-eastern city where Hyundai Motor and the other Hyundai companies are located - to suppress any strike activity.

A clash between workers and riot police would be highly embarrassing for the new democratic government of Mr Kim Young-sam, who promised labour reforms when he took office five months ago. The use of emergency powers already represents a setback for the government's labour policy, which was based on negotiations between labour and management without any government interference.

It is only the second time the government has resorted to using emergency powers to end a labour dispute, the first having occurred in 1969. But police were frequently used to suppress strikes during the military dictatorship in the 1970s and 1960s.

or go-ahead enterprise?

Louise Kehoe on anti-trustcharges against Microsoft

puter software company and the dominant supplier of programs for use on personal com-puters, has been the subject of a "non public" anti-trust investigation by the US Federal

The investigation has been far from secret, however, with several Microsoft competitors eagerly assisting the FTC, and unnamed agency "sources" providing regular updates to the computer trade press.

As an extraordinarily successful company and an aggressive competitor, Micro-soft has more than its share of detractors in the software industry. They allege that Microsoft has used nefarious tactics deliberately to constrain competition and achieve its market leadership.

Novell, one of Microsoft's strongest competitors and the leading supplier of personal computer networking software, has spearheaded the attack, hiring Washington lobbyists to raise political support for anti-

trust action against Microsoft.
"Ray Noorda, Novell chairman and chief executive, is totally committed to the case as a matter or principal," says Wendy Goldman Rohm, author of The FTC versus Microsoft: the Inside Story, which is to be published soon. On Monday, she says, "a team of Novell attorneys gave presentations to the commissioners, hoping that they would restrict Microsoft's practices".

In particular, Novell alleges that Microsoft's system of "per processor" licences for MS-DOS and Windows, its widely used PC programs, has a serious anti-competitive effect on the software market. Microsoft offers discounts to PC manufacturers that agree to pay a royalty fee for the right to install MS-DOS and Windows on all the computers they sell. Novell claims that this in effect excludes competitors such as Itself.

Microsoft denies that it has done anything wrong and continues to co-operate with the investigation

Others in the Industry charge that Microsoft uses its near monopoly in the operating system software market to gain unfair advantage over competitors in the market for PC applications programs.

Microsoft says that It is legally constrained from commenting directly on the FTC's deliberations, but it has denied any wrong-doing and continues to co-operate with the investi-

In February, an FTC vote deadlocked, two for and two

OR ALMOST three years, Microsoft, the world's largest com- Microsoft. It is believed to focus upon alleged abuse of product warranties to tie customer's guarantees to use of other Microsoft programs, as well as allegations that Microsoft deliberately and falsely gavs users of test versions of Windows the impression that the program would not work properly with competing PC operating systems such as Nov-ell's DR-DOS.

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Whatever decision the commission reaches today, it is not expected to have an immediate impact upon Microsoft's basi-ness. The Commission will not seek "structural changes" at Microsoft, such as breaking up the company, Ms Goldman

Rohm predicts.

Nonetheless, the case could have a broad impact on the computer software industry by forcing Microsoft to be more restrained in its competitive tactics, providing other companies with an opportunity to

unseat the industry leader.
Microsoft has sold about 30m copies of Windows aince its launch three years ago and about 100m copies of MS-DOS over the past 12 years. Net income for fiscal year 1992, ending June 1992, was \$708m on revenues of \$2.8bn.

Clues are being sought on the Clinton administration's view on anti-trust law enforcement

If the FTC votes to seek an injunction against Microsoft, the company could simply consent and avoid a trial. Were Microsoft to fight the case, however, it runs the risk of becoming embroiled in a legal battle that could last years, reminiscent of International Business Machines' battles with the Justice Department.

The Microsoft case is also being closely watched for clues about the Clinton administration's stand on anti-trust law enforcement after 12 years of Republican rule in the White House during which a "let the market decide" philosophy toward non-mer cases prevailed.

Should the FTC again reach deadlock over whether to carry the Microsoft case forward, the US justice department is poised to take over the case, according to Ms Goldman Rohm.

For Microsoft, win or loose,

the message is that as a hig and successful company, it needs to be aware of the antitrust implications of its business practices.

So far, however, Microsoft has been reluctant to accept such constraints, which it its competitiveness. While other software companies characterise Microsoft as a bully, Microsoft itself is still battling to stay ahead.

N Korea-US Japanese PM set to nuclear accord quit over hailed by Seoul loss of majority OUTH KOREA said yesterday that the results of the US-North Korea talks graphite moderated reactors with light water reactors, which are safer, easier to inspect and depend on imported enriched uranium for MR Kiichi Miyazawa, Japan's progress toward the resolution prime minister, appeared ready yesterday to bow to fuel. North Korea has two of the North Korean nuclear small reactors at Yonghyon Officials in Seoul said the and is building two bigger demands within the Liberal Democratic party for him to resign to take responsibility for the party's loss of its par-50MW and 200MW units there talks produced what amounted to a framework agreement to dispel suspicions about Pyong-yang's nuclear programme. Although many obstacles which are scheduled for com-pletion by 1996.

Many obstacles remain, writes John Burton

One reason the North adopted gas-cooled reactor technology from the former Soviet Union was that it uses natural uranium for fuel. Natural uranium is produced in North Korea, making it difficult to determine how much uranium the country has consumed and reprocessed as plu-

Reliance on nuclear power would ease North Korea's energy shortage caused by cessation of oil shipments from the former Soviet Union. Pyongyang has tried to cover the shortage by selling Scud missiles to Iran for oil.

owever, South Korean officials cautioned that even if the US agrees to provide Pyongyang with light water reactor technology, it would not immediately solve North Korea's energy shortage. The US is also demanding other concessions from North

Korea in return for improved relations, including ending human rights abuses, renouncing terrorism and stopping the sale of Scnd missiles to the

Seoul is also offering to permit business contacts if progress is made in the inter-Korean talks on the nuclear problem and other issues. But Seoul is warning that

snags could still quickly develop. . North Korea may want to conduct the negotiations through special high-level envoys and link the discussions to a summit meeting between North Korean President Kim Il-sung and South Korean President Kim

Seoul prefere lower-level negotiations through the bilateral joint nuclear commission and await progress on the nuclear issue before agreeing in replacing North Korea's to any summit meeting.

liamentary majority. The LDP leader came under increased pressure after the resignation of Mr Junichiro Koizumi, the posts and tele-communications minister, who said Mr Miyazawa "should have resigned right after our defeat in the election" on Sunday. Mr Miyazawa, 73, has gener-in replying to ally been vague in replying to the party's demands in the hope of maintaining power, but indicated that he is likely to resign at a party meeting tomorrow at which other LDP executives are expected to be Reputedly a reformer, Mr Koizuml presented his resignation as an honourable political act, yet he is a member of a rival LDP faction headed by the openly ambitious Mr Hiroshi Mitsuzuka, who wants the party leadership. The new leader will be the LDP candidate for prime min-

Kiichi Miyazawa (right), Japan's prime minister, appears with former prime minister Toshiki Kaifu while speaking to Liberal Democratic Party leaders at the party's headquarters yesterday

Consumer confidence Japan shows decline

By Robert Thomson

HOUSEHOLD spending in Japan fell 1.8 per cent in May from a year earlier, the first decline in three months and a eign of the weakening consumer confidence that threatens to delay a recovery expec-

ted later this year.

The fall in most areas of consumer spending is likely to intensify debate on income tax cuts, but the post-election confusion will make politicallysensitive decisions even more difficult, including a stimulatory package demanded by business leaders. Management and Co-ordina-

tion Agency officials said bous-ing-related spending was 10.1 per cent lower in May, while education spending slipped 4.7 per cent and furniture and other household expenditure fell 3.9 per cent.

The agency also reported that disposable income during the month was 4.7 per cent lower than a year earlier, reflecting the impact of reduced overtime and an increase in unemployment, consumer confidence.

There is also growing concern among government economists that the continuing political instability could prompt consumers to be even more selective in their spending in coming months. The US has asked that Japan stimulate demand to increase imports and reduce the trade surplus. An index of leading indica-

tors compiled by the Economic Planning Agency fell to 30 per cent in May from 63.6 per cent in April, below 50 per cent, the so-called bcom-bust line, for the first time in four months. The fall in the index was attributed partly to a decline in

shipments of manufacturing goods, which had risen in March and April in expectation of an increase in demand that

against, on whether to seek a court injunction against Microsoft. Today the commission OECD hits at short-term job tenures

UK earnings inequality

THE UK saw the biggest increase in earnings inequality of any OECD country in the 1980s but remains considerably less unequal than the US and at about the same level as France, according to an analysis in the organisation's Employment Outlook, writes David Goodhart.

increases

The 1980s saw earnings inequality rise in 12 ont of the 17 countries for which data were available in marked contrast to the 1970s whers inequality generally fell (with the exception of the US).

Small rises in inequality were recorded in Australia, Austria, Belgium, Canada, Finland, France, Japan, the Netherlands, Portugal, Spain, and Sweden. Large increases were recorded in the UK and the US. Levels of inequality remained stable in Denmark, Finland, Italy and Norway and inequality continued to fall in west Germany.

The OECD says the growing gap can be ascribed to highly-paid workers doing better than average rather than to poorly paid workers doing worse. Australia, Canada and the US were the only countries seeing falls in the real value of the bottom earnings decline.

Russia hints at attacks across Afghan border

By Chrystia Freeland

A TOP AIDE to Russia's security minister said yesterday that Russian forces in Tajikistan reserved the right to launch attacks across the Afghan border and that "we their territory". General Vladimir Bondar-

enko, the security minister's chief of staff, echoed the tough Russian military establishment after 25 Russian border guards were killed on July 13 in a raid launched by Tajik opposition fighters who had taken refuge in Afghanistan after losing the struggle for control of their

Tajik and Russian officials bave accused the fissiparous coalition government in Kabul of masterminding the attack, a charge the Afghan leadership

has denied. Russian legislatore, back from a trip to the smbatiled border region, admitted yesterday that Russian forces were behind a retaliatory attack into unwinnable guerrilla war, is kets towards the end of last Afghan territory last week in edopting a moderate stance. I year, when the report was

which 380 people were killed or wounded and 6,000 villagers forced to flee their homes. Gen Bondarenko said yesterday that the security ministry, the body responsible for the border forces, had authorised its troops to fire into Afghan-

received an order to use fire to prevent any concentration of the enemy, even across the border, into Afghanistan," he said at a press conference.

"I think they also should have the right to raid Afghan territory," Gen Bondarenko added, but said the order for such attacks had not been

Russian leaders and opinion makers are split on how to their country should react to the bloody conflict on the Afghan border.

Hard-line communists and nationalists, accusing the military of "criminal wavering," believe its reaction has not been tough enough, but the foreign ministry, wary of becoming involved in an By David Goodhart,

THE OECD's annual report on labour market trends, published yestsrday, has once again managed to combine objectivity and strong judg-ment without causing too much offence to any of its 22 member states. But in the case of the UK

ister at an extraordinary ses-

sion of parliament early next

Rival faction leaders claim

that Mr Miyazawa must resign

in the "interests of party unity

and stability," but these fac-

tion beads are also under

attack from younger party

members for their role in the

party split that led to the elec-

tion and the end of one-party

to be certain that its candidate

will be chosen as prime minis-

ter at the extraordinary ses-

sion, likely to be held on

The resignation of Mr Miya-

zawa will be cited as evidence

to potential partners that the

party is in favour of political

However, Mr Miyazawa

showed more interest in

reforming the scandal-stained

political system than did the

rival factions demanding his

head. It will be difficult for

parties to agree to a coalition with the LDP if Mr Mitsuzuka,

or a senior member of his con-

servative faction, takes the

rule in Japan.

August 2.

reform.

government it may have been a near-run thing. The report's editorial has often in the past tilted towards US and UK style labour market deregulation but this year it stresses the importance of long-term commitments in the

workplace and active labour market management. The 1993 editorial is explicitly critical of the short job ten-ures associated with "hire and fire" labour markets and warns of the dangers of creating too many suh-standard and inse-

It is ironic that the OECD. usually associated with a more pro-market approach than the European Commission, should be emphasising long-term human resource development at a time when the EC is taking a hard look at deregulation. One economist suggested yesterday that the dismal state of the US and UK labour marBut the differences should

not be exaggerated. The OECD rsport repeats many of its long-standing criticisms of over-rigid labour markets and high payroll taxes, especially in the EC (and southern Europe in particular) where half of the unemployed have now been out of a job for more than a year.

The report expects total OECD unemployment to peak in 1994 at the record level of 36m, up from 7.9 per cent of the workforce in 1992 to 9 per cent. and 10m above the cyclical low of 1990. OECD Europe will be even worse with the level rising to 12 per cent or 23m people. Nevertheless, employment growing again in several countries including the US, Canada, Australia and New Zealand and the report foresees OECD unemployment in other member countries starting to

fall in the second half of 1994. The authors stress that the figures on measured unemploy-ment should be supplemented by the 13m OECD workers who were either "discouraged" from looking for work by poor job prospects or were part-time workers who wanted to work

However, since the early 1980s there appears to have

being drawn np. may have OECD labour market trends

of discouraged workers. That may have something to do with the gradual shift in spending on the unemployed from passive measures, such as unemployment benefits, to active measures such as training and placement services. Although in most countries passive measures continue to comfortably outstrip active measures, the proportion did in 13 out of the 22 countries between 1985 and 1990.

1982-90 91 / 92

The report claims that there tentative evidence to show that active programmes have increased the relationship between job creation and output growth and have increased wage moderation, especially in

Consistently positive results have been found for programmes in which counselling and job search assistance have been made compulsory for people claiming benefit. Recruitment subsidies to employers generally have positive results, although the gains are usually less than they seem because subsidies are often paid for workers who would have been hired anyway. Less favourable results are reported for broadly-targeted programmes such as training for all the unem-

79-89 90 91 92 93 94

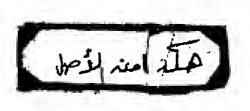
The report also suggests that countries with a higher degree of labour market activism have. been better at combating long-term unemployment. Peo-

one year account for more than 30 per cent of the OECD unemployed. In most countries long-term unemployment is concentrated among prime age workers but in Southern Europe the largest share is found among youths - 15 to 24 - and in Japan and Sweden among older workers.

Long-term unemployment is associated with technological change which has reduced the dsmand for unskilled labour. as witnessed by the low educa-tional standards of the long-term unemployed. But the authore also con-

clude that "high long-term unemployment is associated with high dismissal costs and generous provisions regarding the duration of unemployment benefit" and propose that both should be reviewed, especially in the southern EC countries. They point to the use of temporary contract work as a means of reducing long-term joblessness and cite France

and Spain where there was a large increase in temporary work during the 1980s. In France two fifths of the long-term unemployed found work at the end of the 1980's through temporary contracts and in Spain, where nearly 40 per cent of all employees are now on temporary contracts. the figures was twice as high. See Leader Page



NEWS: THE AMERICAS

Corruption inquiry may pose problems for Clinton

Probe casts cloud over budget talks

THE fate of President Bill Clinton's budget package has fallen under the shadow of a federal investigation into the finances of Congressman Dan Rostenkowski, who as chairman of the House of Representatives' ways and means com-mittee, is the dominant budget negotiator.

Mr Rostenkowski, a Chicago politician who has become one of Washington's premier deal-makers, has been the most prominent target of a probe that began with allegations of drug dealing over the counter of the House's private post office before turning its atten-tion to charges of embezzlement by members of Congress.

Mr Robert Rota, the former House postmaster, pleaded guilty on Monday to three misdemeanour charges of embezziement and conspiracy, admit-ting he had aided and abetted two congressmen in wilfully

ernment money. While the two members are identified only as A and B, documents filed with the guilty plea show dates and amounts of vouchers submit-ted to the post office which match vouchers already in the public record from Mr Rostenkowski and Mr Joseph Kolter, a former congressman from Pennsylvania.

Mr Ramsey Johnson, the US prosecutor bandling the case, said Mr Rota's plea, made in exchange for an agreement to drop additional charges, will greatly aid our ability to resolve the allegations of corruption at the House post

Despite the two-year investi-gation, however, no charges have been filed against Mr Rostenkowski or Mr Kolter. Mr Rostenkowski mads no comment yesterday but has in the past described the investigation, initiated by Mr Jay Stepbens, a Republican appointee with political amhitions, as a "fishing expedition and politi-cal witchhunt".



Mr Rostenkowski's importance as an ally in Mr Clinton's hattle to win passage for the budget bill was underscored by the bill's mauling in the Sen-

Where Mr Rostenkowski was able to win passage for a hill that closely resembled the original version proposed by Mr Clinton, Senate Democratic leaders were unable to rein in their oil state members, who gutted the legislation of its pro-

In negotiations to reconcile the different versions passed by the two chambers, which get under way in earnest this week, Mr Rostenkowski's role is expected to be critical.

If Indicted, however, he would be compelled by House Democratic rules to step aside as chairman of the ways and means committee - a prospect which terrifies members looking for a quick resolution of the budget battle.

Clinton picks judge to restore FBI leadership

By George Graham

PRESIDENT Bill Clinton yesterday named Mr Louis Freeh as new director of the Federal Bureau of Investiga-

Mr Freeh, a former FBI agent and prosecutor and now a federal judge in New York, was widely tipped for the job. He will replace Mr William Sessions, who was fired by Mr Clinton earlier this week.

The appointment, which is subject to confirmation by the Senate, will complete the Clinton administration's law enforcement line-up with a third figure drawn from the field of big city criminal jus-

Although Mr Clinton's first choices for attorney-general were drawn from the realm of

GENERAL MOTORS has agreed to settle dozens of law-

suits by giving the owners of

some 4.7m pick-up trucks with

side-mounted petrol tanks \$1,000 (£666) in coupons towards the purchase of a new

GM vehicle, agencies report

In two separate agreements

filed in a state court in Texas

and a federal court in Phila-delphia, GM said it settled all

the outstanding class action

from Detroit.

corporate law, Ms Janet Reno, now installed as the star of the Clinton cabinet, was a criminal prosecutor in Miami. Mr Lee Brown, director of drug control policy and another cahinet member, served as police chief in Atlanta, Houston and New

Mr Freeh, whose record includes the break-up of the "pizza connection" heroin ring and the investigation of a series of letter bombs, has a reputation as a tongh law

enforcement professional. He faces the immediate task of restoring leadership at an agency whose divisional heads have often been accused of acting as independent barons.

Mr Sessions' leadership had been impaired since a Justice Department report in January accused him of abusing the

GM settles truck lawsuits

reimhursed for resale value

they said they lost because the trucks are allegedly vulnerable

to explosions in side-on colli-

In April the National High-

way Traffic Safety Administra-tion asked GM to recall the

pick-ups, based on a finding that the trucks were 2.4 times

more likely to catch fire in

fatal side-on collisions than

similar trucks built hy Ford.

perks of office, but it is widely believed be never succeeded in taking the agency in band.

The delay in appointing Ms Reno as attorney-general and in replacing Mr Sessions at the head of the FBI has left the Clinton administration lagging

in crime policy.
Some politicians can scarcely believe Mr Clinton has not yet pushed for action on his crime agenda, which they feel could provide him with the relatively easy victory in Congress that-has so regularly cluded him.

His campaign crime pro-gramme included proposals to put 100,000 more police officers on the streets with the creation of a national police corps, to put more money into community policing and drug treatment programmes, and to pass

erated yesterday that it did not intend to recall the

"It does not affect the

"This is not a recall. There is

NHTSA case in any way, shape

absolutely no modification of the vehicle. This separates the

customer satisfaction concerns

The \$1,000 certificates are

from the technical concerns."

or form," a GM official said.

El Diarto, the Caracas newspaper, said yesterday that three additional bombs were being sought by the police. In 1992 the country was shaken by a series of terrorist acts supposedly carried ont by a

against the government and frequent anti-government pro-tests and riots.

Venezuela bombs sent to top judges

By Joseph Mann in Caracas

LETTER bombs sent to members of Veneznela's Supreme Court over the past few days have raised fears that the country may be facing a new wave of political destabi-

A letter bomb addressed to the Supreme Court exploded on Monday when a conrt employee tried to open it Bombs were also sent to the bomes of the chief justice and bis deputy but they were

defused by police. No one has claimed responsibility for the bombs, which have not been used before in Venezuela, and authorities do not seem to have clear sus-

On Monday the court was scheduled to review a decision on corruption charges against former president Jaime Lusinchi, in office from 1984-89. Mr Lusinchi condemned the letter

self-styled vigilante group. Last year was also marked by political turmoil, including two failed military rebellions

transferable within an immediate family and cannot be sold without the truck. GM claims, bowever, that lawsuits filed by owners of its the pick-ups are safe and reit-Puerto Rican referendum on

US link pivots on economy

By Canute James

CAMPAIGNING is intensifying in Puerto Rico ahead of a refer-endum called for mid-Novemher to determine the future political status of the Caribbean island, currently a US

possession. Puerto Rican leaders say the vote is intended to end several years of debate over whether the island of 3m people should retain its "commonwealth" link with the US, become a state of the union, or move to political independence.

Announcement of the referendum date hy Dr Pedro Rossello, the ieland's governor. has intensified campaigning by the three main political par-ties, which are focusing on the likely impact on the island's

economy.
It is not clear, however, how US legislators in Washington, who will have the last say on Puerto Rico's future, will treat the referendum result.

A decision by the US Congress will be affected by considerations such as Puerto Rico's geopolitical and strategic value; the island has a large US naval base. Puerto Rico is officially described as having a "freely associated" relationship with the US. Puerto Ricans are US citizens but cannot vote for a president. The island's representation in about \$15bn (£10hn), have change, and then for the island

Washington is limited to a ommissioner who has no vote to influence legislation.

The incumbent New Progressive party advocates a change in the status, with Puerto Rico becoming a state of the union, while the opposition Popular Democratic party is arguing for a retention of the current relationship with the main-

By all indications these are the options most Puerto Ricans will consider. There is little support for political indepen-

'Chances are the winner could

dence, as indicated by the inde-

hy political considerations than hy the public's conclu-sions as to which political status offers the best deal for the

stability. The economy also benefits from federal welfare funds of about \$4bn a year and receives hundreds of millions of dollars from rebates of federal excise taxes and duties collected on exports such as

Advocates of the status quo argue that Section 936 - the future of which is being debated by legislators in Washington - will be incompatible with statehood, and that as a state Puerto Rico would lose

get less than 50 per cent of vote' an incentive which has been the pillar of the island's rapid

pendence party's poor showing in elections. Votes will be influenced less industrialisation. They also argue that statehood would lead the federal government. with its concerns over the deficit, to spend more through welfare payments. Mr Baltasar Corrado del Rio,

economy. Puerto Rico's secretary of state, agrees with opposition claims that, as a state, Puerto Rico would be the poorest of The current commonwealth status has allowed the island a significant economic advantage under Section 936 of the US Revenue Code, which encourages mainland compathe union. He argues, however, that if the plehiscite supports statehood, the US Congress would be asked to "grandfa-ther" Section 936 for between nies with subeidiaries in Puerto Rico to deposit their profits in local banks. five and 10 years after the

These deposits, totalling

assisted economic growth and to be declared an enterprise zone with special tax incen The vote is expected to be

close, particularly if Puerto Ricans stick to party political allegiances. in last November's gubernatorial elections the NPP took office with 50 per cent of the vote, with 46 per cent going to the PDP and 4 per cent to the Independence party. Political leaders say. however, that they expect voters to cross party lines in con-sidering political status. In the final reckoning the

vote will have to he strong enough to convince legislators in Wasbington that they should act on the result. Mr Corrado del Rio believes that, since it is a three-way contest, the winner should be accepted as the party which gets the most votes. Not every one is convinced of this.

"The result will not be hind-ing on Congress," explained one Puerto Rican analyst. "Clearly, in such an important issue few congressmen will be moved by a result which shows 51 per cent support for statehood, particularly if there is a moderate turnout of voters. And since there are three contesting tendencies, the chances are that the winner could get less than 50 per cent of the vote. Washington would not take seriously such a result."



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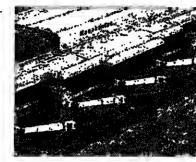
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five years from now, this

aircraft will still be a smart,

tough, viable competitor.

Just like its creator.

By Richard Tomkins, Transport Correspondent

THE government's plans for privatising British Rail's passenger services are in danger of being undermined by a lack of interest from would-be train operators.

Inquiries by the FT have identified 16 companies interested in bidding for passenger franchises, but the overwhelming majority are bus com--panies planning to operate a handful

FOR MONTHS the government franchising. has maintained that at least 50 And con

companies are interested in

hidding for the franchises to

operate BR's passenger ser-

vices. For it is self-evident that

privatisation will fail if nobody

in the private sector wants to

Yet extensive inquiries by

the Financial Times among air-

lines, shipping groups, bus companies and other transport-

related businesses in the UK

and overseas give a conflicting

impression, with barely a third that number of companies

looking at just a handful of

As for overseas interest,

Canadian Pacific is only interested in the Heathrow Express,

and only Burlington Northern

of the large US railroads seems

even vaguely interested in

run the trains.

small to contemplate bidding for high-profile InterCity or Network SouthEast franchises because the revenue risks associated with these much larger businesses would put too great a strain on their financial

As a result, the majority of the passenger service franchises are attracting little or no interest from potential hidders, ao raising the pos-sibility that the government will have to leave them in BR's hands.

Bus companies dominate

Overseas interest confined to Canadian Pacific and

And contrary to popular myth, SNCF, the French

national railway, says it is fac-

ing too many financial prob-

lems at home to consider a for-

eign adventure: "We have the

knowhow but we don't have

Easily predominant among

the companies that are inter-

ested in railway privatisation

are British hus companies,

which have themselves only

recently emerged from the pri-

The three biggest of these -

Badgerline, British Bus and

Stagecoach - are each consid-

ering bids for franchises falling

broadly into their areas of

operations. Many smaller hus

companies, too, are looking at

the possibility of bids for indi-

vidual lines or groups of ser-

vatisation and deregulation.

field for rail franchises

Burlington Northern, reports Richard Tomkins

The government's plan is to split BR's passenger services into 25 franchises and start putting them out to tender next year. Seven of the franchise areas are currently operated by the interCity division, 11 are operated by Network SouthEast, and

seven by Regional Railways. Among the InterCity services on offer, the relatively small Gatwick Express service appears to be attracting a degree of interest, but the larger operations appear to have

based shipping group; Mr Richard Branson's Virgin Group; and Badger Rail, part of the Badgerline bus

Of these. Virgin says its only interest is in bidding for the East Coast main line as part of a larger consortium, and Sea Containers, which wants to bid for the Great Western main line, is in danger of disqualifying itself by insisting that it should take control of the tracks as well as the trains. Badger Rail, also interested in the Great Western main line, may well prove too small to take it on.

On Network SouthEast, the only franchise areas so far attracting interest appear to be the South Western division comprising routes out of London Waterloo; the London, Tilbury & Southend line; and the 81/2-

mile Isle of Wight railway. Elsewhere, almost all the interest In privatisation appears to be com-ing from bus companies wanting to take over rail services in their area

WHO WANTS TO PLAY TRAINS AFTER RAILWAY PRIVATISATION

and integrate them with their bus operations.

Transport ministers say concern about the apparent lack of interest is unfounded because at the very least, management-employee buy-out teams will emerge as bidders for most of the franchise areas.

But private sector bus companies say buy-out teams will find it difficult to secure the necessary financial backing to bid for the larger husinesses because of the risks

Fall in M4 shows upturn

Britain in brief

Tri

may be weak Demand for new credit is weak, according to money supply data issued yesterday which indicate the upturn will

be fragile. The M4 measure of the money supply, which takes in hank and building society. deposits and notes and coins in circulation, showed in June its biggest monthly fall since the Bank of England started

records in 1982. The Bank said the M4 figure was distorted partly by the system for seasonal adjustments, which tends to depress money supply numbers in the third mouth of every quarter when lending institutions charge interest.

Another factor pushing down M4 was high sales of gilt-edged securities in June. Meanwhile new commitments by building societies to mortgages recovered in June from a fall the previous month. The figures gave further evidence that the housing market recov-ery remains muted.

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Bid to buy Scots mines

A group of former coal managers, industrialists and union leaders are heading a company which has been formed to try to buy the Scottish coal indus-

Mining Scotland is pressing the government to separate British Coal's Scottish assets from the rest. It wants to buy both the deep mine and opencast assets.

servative minister, said the deal should have been referred to the Monopolies and Mergers Commission: "The approval will not make it easier for the UK to argue for a strong competition policy within the EC". BA said yesterday: "If the

when it was, Dan-Air would have disappeared overnight. "We do not believe refusing this merger would have been

involved.

Present business Badger Rail Rail subsidiary of Badgerline bus group Airline

British Airways formerly known as Drawerland US railroad **Burlington Northern** Canadian railroad Canadian Pacific

Bus company trading as East Yorkshire Motor Services Gateshead-based bus company Go-Ahead Northern Grampian Regional Transport MTL Trust Holdings Aberdeen-besed hus operato Holding company of

Merseybus Express coach operator National Express Rider Group Operator of Yorkshire Rider bus services Bermuda-based shipping group Sea Containers late of Wight bus company

Stagecoach bus group Principal bus operator in Travel Virgin Group Airline, records and radio

Heathrow Express Hull-Bridlington-Filey-Scarborough Inc Local services in Tyneside area

South Wales and West region; Great Western main line

Gatwick Express; Heathrow Express; other airport services

London, Tibury & Southend line; North West region; possibly Gatwick Express

Local services in Aberdeen area Merseyrali electric services Unspecified, but three possible bids could include Gatwick Express Local services radiating out of Leeds

South Western division of Network SouthEast: Great We sle of Wight railway, in consortium with Wightlink and

Local services in West Midlands

East Coast main line, but only as part of consortium

man of Exeter-based Transit Holdings and one of the most entrepreneurial of the new breed of bus operators, says: side their areas. But most of "It seems to us that if you make one tiny mistake in a husiness you don't know, you could be in all kinds of trouble.

We have looked at it and backed off,'

Few other companies seem

ready to take the bus compa-nies' place as bidders for the large franchises. British Airways says it is only interested in running airport expresses. Mr Richard Branson's Virgin Group has already lost interest in the Gatwick Express and now only wants to run the **East Coast main line as part of** a consortium. National Express

says the hids it wants to make would probably break the gov-ernment's rules, though it declined to elaborate. So would those being contemplated by Sea Containers, which wants the government to let it run the tracks as well as the trains. The government has consis-

tently refused to identify the 50 companies on its list, citing

commercial confidentiality But according to some in the private sector, the reason for the discrepancy between that figure and the reality lies in the fact that the government's list includes banks, construction companies and other interested parties who simply want to keep in touch with what is

MAASTRICHT

Ulster MPs hint at deal on treaty

By Lionel Barber in Brussels and Ralph Atkins in London

NORTHERN IRELAND'S Unionist MPs yesterday gave the strongest hints yet that they are prepared to strike a deal with ministers which could help avoid a government defeat over the social chapter in Thursday's crucial vote in the House of Commons.

The nine Ulster Unionist MPs reckon their votes may well determine whether the government is defeated on the

But the expectation at Westminster is that no agreement would be reached until hours before the vote when the government would calculate if it was worth brokering for the support or abstentions of the nine Ulster Unionist party

The government's campaign to secure Ulster Unionist support may be linked to a complex deal struck with Brussels over Northern Ireland's share of special EC assistance funds. In the early hours of yesterday morning, the UK govern-

Complex deal struck in Brussels may be linked to winning crucial support for John Major in this week's vital Commons vote on the Maastricht Treaty and the UK status of the Social Chapter

ment mounted a desperate effort to preserve Northern Ireland's share of special EC assistance reserved for poorer areas of high unemployment.

EC officials said the UK campaign appeared driven less by a desire to secure extra money to sweeten the Ulster Unionists, but more by a fear that Northern Ireland's position could be squeezed vis a vis

Ireland is the biggest percapita beneficiary of the Community's special Objective One assistance. In the previous round, the Duhlin government received 2-21/2 times more funds a head than Greece, Portugal and Spain, which make up the "Poor EC Four".

This amounted to around Ecu1,000 (£757) an Irisb bead

over the past five years - at

least double Northern Ireland's

vices in their areas.

The logic behind these bids

is that bus companies believe

they can increase revenues

from the railways by integrat-

ing train services with their hus operations through com-

mon ticketing and co-ordinated

integration simultaneously

poses the very real danger of intervention by the Office of

Fair Trading on the grounds

that a local monopoly would

bus companies were thinking

of bidding for operations ont-

them are not - least of all for

the very hig InterCity and Net-work SouthEast franchises,

which would dwarf their exist-

Mr Harry Blundred, chair-

This would matter less if the

result

ing operations.

timetahling. Yet this idea of

The UK argued, apparently successfully, that the gap between the Irish Republic and Northern Ireland was likely to grow even further as a result the 1994-99 EC budget deal which includes a pot of Ecu15.5 bn known as a Cobesion Fund for the Poor Four.

Mr Jacques Delors, president of the European Commission, agreed to take account of the UK demands to preserve Northern Ireland's position. He offered assurances that the UK would receive Ecu2bn, the hulk of which is to be divided

between the poorest regions: the Highland and Islands, Mer-seyside and Northern Ireland. Besides extra regional aid,

terms for a deal between the Unionists and the government could include the setting up of a Northern Ireland select committee, more powers for local councils in the province, better scrutiny of Northern Ireland legislation in the Commons and a commitment on Northern Ireland's constitutional.

Although there appears to be no formal "shopping list", the party's MPs had little inhibition in setting parameters for any deal.

 Senior Liberal Democrats agreed last night that the party's 21 MPs should vote against the government on both of tomorrow night's votes.

This was in spite of a suggestion made on Monday by Sir Russell Johnston, Europe spokesman for the centrist third party, that they should support the government motion on the second vote if Labour's amendment backing the social chapter falls.

British Airways sets up first private credit union

By Gillian Tett

BRITISH AIRWAYS has created the UK's first private sector credit union in a move expected to encourage more companies to offer banking services to their employees.

The credit union, which was registered with the Registry of Friendly Societies in June. comes into full operation at the end of the month It hopes to attract several

thousand members, and eventually offer a full range of financial services, possibly including mortgages, cheque books and credit cards. Although credit unions in

countries such as the US, which bas more than 60m credit union members, are currently permitted to offer these banking services like credit cards, British credit unions are barred from doing this.

But a rapid expansion in the British credit union movement, which has seen its membership and assets grow by some 40 per cent over the last year, is fuel-

ling demands that British credit unions be allowed to operate along US lines. The Association of British

Credit Unions, which represents 190 of the country's 405 credit unions, is drawing up proposals for new legislation with the Registry of Friendly Societies, the sector's regulator, which it hopes to put to parliament by 1994. Mr Michael Parkinson, chief

executive of Abcu, yesterday said: "A lot of credit unions now want to offer banking type facilities. We don't see why they can't - there is a lot of disillusionment with the banks and building societies now."

With the fastest area of growth now occurring among public sector employee credit unions, which represent some 60 per cent of the £30mm assets controlled by Abcu, a signifi-cant shift was occuring in the role and image of credit

unions, Mr Parkinson added. Although credit unions had originally made their name by providing a banking system for

poor people, most members were now using them as an additional means of banking, he said. At present credit unions are

not allowed to charge more than I per cent interest on loans, or 12.68 per cent APR rate that is considerably cheaper than most bank loans. Members of the credit union are not allowed to borrow until they have saved for three months, and in most cases can only borrow up to two or three times the level of their savings, with the maximum level of loan stipulated to be £5,000, on

top of current savings. Although, in line with their non-profit-making philosophy, credit unions do not officially pay interest, and can only use their members' savings as assets, they can pay dividends of up to 8 per cent per annum. Some credit unions have recently conducted agreements with other financial institutions to offer insurance and other discounted financial services.

Dan-Air deal under attack

the UK's ability to stop anticompetitive airline mergers in the European Community by allowing British Airways to take over its rival Dan-Air last year, Mr Christopher Chataway, chairman of the Civil Aviation Anthority, said yesterday. Mr Chataway, a former Con-

merger had not been approved

in the best interests of the travelling public, Dan-Air or

its staff."

LEGAL NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

Licences to run telecommunication systems under section 7 of the Telecommunications Act 1984 granted to Energis Communications Limited (formerly Telecom Electric Limited), Scottish Hydro-Electric ple and City of London Telecommunications Limited.

The Secretary of State hereby gives notice:

a. that he has duly reconsidered the proposals in respect of which be published a notice on 18 February 1993 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant licences under the Act to Scottish Hydro-Electric plc ("Scottish Hydro") and Telecom Electric Limited (which changed its name to Energis Communications Limited on 25 March 1993) to run telecommunication systems throughout the United Kingdom and to City of London Telecommunications Limited ("COLT") to run telecommunication systems in London and its vicinity;

b. that he has granted such licences ("the Licences") to Energis Communications Limited, Scottisb Hydro and COLT (together referred to as "the Licensees"), being licences which include conditions such that section 8 of the Act applies to them, thereby making the Licensees eligible to have the telecommunications code contained in Schedule 2 to the Act applied to them under section 10 of the Act;

e that he has applied the telecommunications code ("the Code") to the Licensees subject to certain exceptions and conditions. The effect of these exceptions and conditions is that the

 to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground; ii. to comply with conditions designed to easure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;

iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

iv. to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the Licences to the powers under the Code; and v. to ensure that sufficient funds are available to meet certain liabilities arising from the

The Secretary of State has applied the Code to the Licensees: a. because the Licensees will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the Licences;

b. subject to the exceptions and conditions referred to above the sate they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.

The Secretary of State has granted the Licences because he considers that they will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

The Licences have been granted for a period of 25 years in the first instance and are subject to revocation by the Secretary of State on 30 days' notice in the circumstances specified in the Licences. Copies of the Licences may be obtained from the Office of Telecommanications (Library), 50 Ludgate Hill, London EC4M 7II, price £12.00 (price £10.00 for COLT's licence), postage and packing free.

Miss J M Knight Department of Trade and Industry

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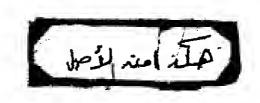
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uality is popularly linked with the idea of excellence or achieving the best. It is often associated with expense and luxury.

This traditional definition of quality has been joined by one of practical relevance to business. As a goal for managers it consists of meeting the customer's requirements or making a product which is fit for its purpose in the most cost-effective way. A medium-priced watch may

lack the Swiss hand-crafting which goes with a leading model. But it must keep accurate time and retain an attractive appearance.

BS5750/ISO9000 takes the idea of quality and extends it to the systems by which a company is managed. It assumes that the customer does not just want a watch to suit his purse. He wants his inquiry dealt with rapidly and his order processed as quickly as possible. The company wants its employees, materials and tools to be in the right place at the right time to reduce costs.

If something goes wrong the customer wants his complaint dealt with speedily and the company wants to trace the problem and prevent it recurring. By building quality assurance into a company's entire process, the need for quality control at the end of the production line - when rectifying mistakes is most costly and least effective is reduced.



Before looking at the requirements of the standard. businesses must confront the sometimes confusing numbering system of its different parts. The core is BS5750 part one (which corresponds to ISO9001) which applies to businesses that design and develop their own products, as well as making, installing and servicing them.

Part two (ISO9002) is applicable to husinesses which do not carry ont their own design work but which make to a customer's requirements or to a published specification. Part three applies to husinesses where final inspection and testing of the product or service are enough to lity. There is al unnumbered part known as the "registered stockists scheme." The standard includes sections

dealing with: Management Responsibility, which describes how a company should draw np an organisation chart to show the responsibilities of all staff who manage or carry out work associated with the quality of service. It requires quality procedures to be

 Contract Review, which defines and documents the customer's requirements and establishes that the resources needed to meet them

are available. Process Control, which requires the documentation of how the process is to be carried out. Written instructions must be given to the employee involved where appropriate and the process must be monitored.

 Document Control, is the most common cause of companies failing to achieve certification at their first attempt. It requires quality and procedure manuals to be kept in designated locations. Unauthorised copies must not be circulated and changes to the system and

manuals must be logged. Companies which obtain their certificate can display the logo of the certification organisation. If the certifier has been accredited the logo will be accompanied by the "tick" of the National Accreditation Council for Certification Bodies.

Controversy over a BSI standard threatens to discredit the issue of quality, writes Charles Batchelor

A victim of its own success

avid Franklin had been supplying ona large supermarket with air fresheners for 14 years. Suddenly, he was given three months' notice that unless his south London company registered for BS5750, a quality management standard, it would be dropped from

the supplier list. "It would have cost us \$4,000 to obtain B\$5750," says Franklin, managing director of the company which bears his name. For a business with turnover of £750,000 and a workforce of only seven, he says, the quality standard would have been an unnecessary burden.

Fortunately, Franklin was able to convince the supermarket huyer that the standard would not mean a better product hut would push up his costs. The hnyer backed off but Franklin knows other businessmen who have not been so lucky.

Companies around the country have been coming under pressure from their customers to conform to BS5750, frequently after many years

of trouble-free dealings.

BS5750 was launched in the late
1970s to improve the poor quality
image of British industry and was taken up in Europe as EN29000 and around the world as an international standard ISO9000. But it now threatens to damage the reputation of the British Standards Institution (BSI), which created it, and more importantly, discredit the issue of quality across a large sector of British business.

The furore over BS5750 has forced BSI to set up a special committee to review the problems caused to smaller companies. It is looking at ways of simplifying the implemen-tation of the standard for small firms and reducing costs.

So concerned has BSI become at the growing controversy that last week it made the first of a planned series of presentations to the press to explain the standard and the role

"I want to clear the air because there are a lot of misconceptions about BSI and its terms of reference," said Viv Thomas, BSI chair-"BS5750 is a national asset which BSI designed and exported around the world."

Setting quality standards for your suppliers is nothing new. The Ministry of Defence and the nationalised industries have long had codes and guidelines to ensure they got value for their large purchasing budgets. BS5750 was launched in 1979 to establish some common standards and to extend the idea more widely throughout industry.

Ironically, BS5750 has become a victim of its own success. Initially it was taken up by large companies which could cope with the formal systems involved and the large vol-umes of paperwork hut it has since spread to smaller firms. It has been



What does B\$5750/ISO9000 involve?







Managing the design...





ers, accountants, chambers of commerce, schools and police stations. delivery. The controversy surrounding BS5750 has caught BSI unprepared.

It is used to writing industry-specific product standards - covering the durability of fitted kitchens and the strength of motor cycle helmets. BS5750 was the first of what are known as "horizontal" standards, applicable across a broad swathe of industry. It has come at a particularly diffi-

cult time for BSL The organisation is half-way through a programme to make it less hureaucratic and more commercially minded. The strains created by this process led to the surprise resignation of its chief executive, Michael Sanderson, last

It has also coincided with a government review of BSI, the desirability of continuing to subsidise the organisation and the issue of standards writing in the UK.

Unlike the product standards which BSI routinely produces in their thousands. BS5750 is a measure of quality procedures and much more open to individual interpretation. It measures the consischasing, stock control, manufacturing (or providing a service) and

BS5750 is intended as a readily recognised guarantee of a company's quality assurance standards so that customers do not have to carry out their own assessment and suppliers avoid heing swamped by inspection visits. But one critic, Trevor McCarthy, who has worked with companies registering for BS5750, says companies should write their own, brief, quality manuals and use inspection visits as a way of impressing potential custom-

BSI and many of the 22,000 UK husinesses which have registered for the standard refute the criticisms of BS5750. It allows companies to reduce waste, increase pro-ductivity and obtain a competitive advantage, says Thomas.

One engineering company with turnover of £1m and a workforce of 35 saved thousands of pounds and achieved a big improvement in customer relations when it tightened up its procedures for maintaining and updating its engineering drawings. Before ohtaining BS5750 and taking greater care with its drawsations as diverse as manufactur- dealing with customer orders, pur- ings it would turn out parts to an difference unless it was part of a

obsolete specification and have to scrap the consignment.

Arranging for the proper storage of tools saved employees of the same company lost time previously spent hunting in corners and under benches for a mislaid piece of tool-

We have had a positive feedback from 20 companies for every company with a negative experience," comments Thomas. A survey of more than 2,300 companies which had qualified for BS5750 by Pera International, a research and con-sultancy group, showed that 39 per cent reported improvements to operational efficiency, 76 per cent obtained a marketing benefit and 48 per cent an improvement in profitability.

But other surveys have revealed a more critical view of BS5750. Only 8 per cent of managers rated their quality initiatives a total success due to a shortage of resources and a lack of commitment by top management - according to an Institute of Management study. A survey by IBM Consulting Group to determine whether British companies were up to "world class" standards showed

for several reasons:

guarantee of product or service quality. Companies which took up the standard in the early 1980s understood the distinction but this has been lost as its use has become more widespread. "With hindsight we should have kept up the awareness campaign," comments Derek Prior, BSI's communications manager. BS5750 has even started to appear on consumer product label-ling, with the implicit suggestion

• It sets no formal, standard criterla because quality management systems are infinitely variable depending on the company, its activity and procedures, When a programme to persuade its UK debated whether to set a response time for repair men of eight or 16 hours. Eventually it decided on eight hours. But it could have set 16 hours providing it consistently met this standard. Toshiba has backed up BS5750 with a range of its own,

Concern about BS5750 has arisen • It is frequently mistaken for a

that it is a quality mark.

Toshiba's copler division launched dealers to register for BS5750 lt

companies in particular use simple procedures which are frequently not written down. Formalising these systems can produce thick quality manuals. When Wessex Water registered for BS5750 the documentation of its quality systems filled 164 manuals - a total of more than 22,000 pages. "But it is not all new paper," says John Snoxell, water production and systems man-ager. "Most should have existed before. Now it is all under control and we know where all the copies

· It is costly, particularly at the end of a recession, when companies' resources have been depleted. Consultants' fees could amount to £400-£500 a day for between 15 and 20 days, a total of £6,000-£10,000, though government subsidies could meet half or even two-thirds of the bill. Costs could be cut further by taking part in joint programmes run by trade associations and some

The cost of the initial assessment and monitoring over the first three years for a professional services company employing 50 people on one site could vary from £2,900 to £7,125, according to a recent handbook, Implementing Quality through BS5750/ISO9000 (By P. Jackson and D. Jackson, Kogan Page. £25).

• There is often no indication whether a company has obtained BS5750 for the entire range of its activities or for a small division employing only a few people. Companies are not obliged to be precise, although they would be legally liable if they attached it to an opera-tion which had not qualified.

 The system for approving certification companies is in need of overhaul. Twenty six certification companies have been accredited by the National Accreditation Council for Certification Bodies, hut other conaccredited organisations may also award certificates.

 BS5750 has not yet made great inroads internationally. Many countries with a good record for product quality, which BS5750's critics say is all that really matters to the customer, make little use of the standard. BSI's Quality Assurance divi-sion, one of the 25 accredited groups, has issued BS5750/ISO9000 certificates to 14,805 UK companies but to only 367 in the US, 122 in Japan and 45 in Germany. Overseas interest is increasing however, BSI

It is important that the controversy about BS5750 is resolved. For BSI because it has other "horizontal" standards in the pipeline, covering the fields of environmental management and total quality management. And for husiness because, in the longer term, the move towards more formal quality systems appears inevitable. Increasing cross-border trade will boost demand for standards which are It generates paperwork. Small acceptable around the world.

Case study: Musthave postpones plans for certification

Mixed benefits of registration

usthave (UK), a small haulage and warehousing company was well on the way to registering for BS5750 when business started to turn down.

Having spent "a couple of thou-sand pounds" on consultancy fees and two months of his time preparing the documentation, Stuart Baldock, the owner and managing director, was reluctant to scrap the project. He decided to shelve his plans for registration but to maintain the systems he had set up until demand improves. In the meantime, he says, he follows procedures which are equivalent to BS5750 even though he does not have the

certification logo.

When demand dropped off we thought What is the point of tying up a couple of thousand pounds when the money could be employed elsewhere?" We run all our proce-dures so that the certification body could come in. We will definitely go for certification when things turn

With turnover of £380,000 and a workforce of 20, the St Neots, Camhridgeshire company is typical of smaller businesses which have had to weigh up very carefully the costs



and the benefits of registration.

Baldock does not believe that conforming to BS5750 procedures has yet saved him any money. I run the business so I can watch every penny. I sign all the cheques and can make sure that the customer gets what he wants 99.9 per cent of

the time, he says.

What the quality standard does
do is "minimise the potential for cock-ups." It defines everyone's job and imposes a procedure for handling customers from the moment the telephone rings through to processing the orders, Baldock

Even so Baldock believes BS5750 is probably more relevant in the larger company, where departments do not communicate so easily with each other.

Introducing BS5750-style proce-

dures is not the end of the matter. It requires the company's quality representative, in Musthave's case it is Baldock himself, to keep a close eye on the way the system is running. Someone has to be on top of it all the time," he says. If people on the shop floor discover a better way of doing things then the system can be changed. But sometimes people are reluctant to report changes. The quality representative has to make sure that shopfloor practice is not out of line with the procedures which are recorded in the quality

manual or modify the manual Despite the commitment Baldock has made to BS5750 he is amhivalent about its benefits for the smaller, owner-managed business. "When business dropped off we decided to concentrate on saving money." he says. "In our husiness you can't put your rates up to cover the extra costs involved." • Case study: ISS Belgium sees levels of new business grow

guarantee of satisfaction

ha marketing potential of a quality assurance standard is well illustrated by the experience of ISS Belgium - that country's second largest contract cleaning company and part of the international, publicly quoted ISS group, writes Tim Dickson.

Obtaining ISO9000 last May was one stage in a much wider quality programme which ISS Belgium's managing director Theo Dilissen claims has transformed customer perceptions and made an impact on his bottom line.

It quickly became clear to Dilissen when he was appointed in July 1989 that the best way to increase turnover was to reverse the old acquisition strategy and concentrate on organic growth. Contract cleaning is essentially a commodity husiness and huyers are largely interested in price," he explains. "We wanted to promote a service-based culture which would distinguish us from our competitors."

Market research demonstrated the real problem was the poor image of the contract cleaning industry as a whole. "There was a general feeling of scepticism



Theo Dilissen: has reversed strategy

about the services offered by us

and our competitors." Training for first line managers and cleaning staff is a key element of the ISS approach, hat Dilissen was convinced right from the start that ISO9000 certification would represent a customer guarantee. "It does not guarantee good performance in itself," be says.
"What it does is imply that the

quality standards you have agreed with your customer will be kept. It's an assurance particularly during the upheaval which happens

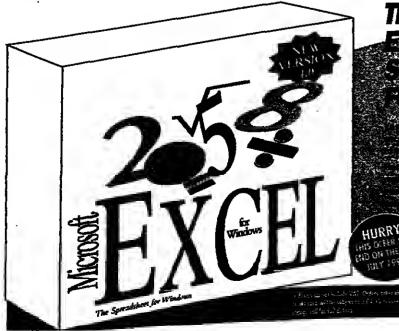
contractor." A survey of 500 professional buyers by ISS Belgium earlier this vear demonstrated that the company's name awareness had

risen to 44 per cent from 5 per cent in 1989. Its link with the ISO certification was recognised by 83 per cent of respondents and 65 per cent said the quality standard was "a significant advantage". Even more important, the levels of new business gained each year leaped dramatically, from

when a customer is changing his

BFr25m-BFr35m a year before 1989 to a projected BFr230m (£4.3m) in 1993. Operating profits rose 70 per cent in 1992 and are expected to increase a further 29 per cent this year. ISS Belgium has total turnover of BFr1.6hn and 2,200 The Belgian example is seen as a model within ISS Europe, whose

chief executive Waldemar Schmidt believes ISO9000 "communicates professionalism". He says that in the UK "we can't use it as a marketing tool because everyone else has it", hut implies that the company can steal a march on competitors elsewhere in Europe.



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his is the time of year when thousands of tourists descend on Italy's Adriatic coast, one of Europe's holiday magnets, and hotels from the Venice Lido to Rimini start raising prices and dusting off "full up"

Few on the packed beaches will be bothered much about the state of the Adriatic. The disastrous summer of 1989, when an invasion of algae hlackened beaches and left hoteliers facing ruin, has been long

But although less conspicuous than in the past, water pollution remains the Adriatic's Achilles heel Italian scientists do not know where the algae came from and why they grew so alarmingly. Pending an explanation, local tourist bosses will continue watching the waters carefully for signs of a revival.

Most observers agree one of the keys to the problem is the River Po, Italy's main waterway and one of Europe'a prime arteries. Terminat-ing in a broad and beautiful delta just south of Venice, it passes through Piedmont, Lombardy and the Veneto - three of the country's biggest, most industrial and most heavily-farmed regions - before reaching the sea. About 37 per cent of Italian industry is in the Po basin, while the resident population is nearly 16m - over a quarter of

In the past three decades, the Po has become synonymous with pollu-tion. Big riverside cities, such as Turin or those nearby, like Milan, have used it as their dustbin. Urban sewage, though treated, has not always been up to standard. At smaller towns and villages along the river, enforcement has some-

Many big businesses also depend on the Po as a free resource or a drain. Cooling water from riverside power stations drives up river tem-peratures, harming what marine life is left; environmentalists warn that dumping rules are far from foolproof; while industry adds a potent cocktail of phenol, solvents

and toxic metals. But the higgest pollutant is agriculture, according to Roberto Passino, the man in charge of the anthority for the Po basin, the main watchdog over water quality and the riverside environment.

The Po valley is Italy's biggest stretch of flat land, making it ideal farmland in a largely mountainous country. Agricultural traditions stretch back for centuries: the ricefields around Pavia have even influenced northern Italy's cuisine, with

risotto as popular as pasta. Rice growing is one of the worst offenders, says Passino. The pressure to remain competitive against cheaper Asian producers means that farmers use pesticides heavily to control crop damage and improve



And polluted flows the Po

Agricultural waste has taken its toll of Italy's main waterway, writes Haig Simonian

Pesticides, weedkillers and fertilisers pervade north Italian agriculture. Farmers bava started cutting hack to save money, but much damage has already been done, he says. The worst has come through chemical seepage into the water table. affecting local drinking water. About 70 per cent of drinking water in the Po valley comes from under-ground reserves. Chemicals have also found their way into the Po, damaging water quality along the river and eventually the Adriatic.

However, it is livestock, not farming, which represents the greatest threat, warns Passino. The surge in pig farming in the past 30 years has triggered a vicious circle of pollntion. While the size of herds has soared, the amount of space available has remained virtually constant. "The quantity of waste produced is immense", he says. Though some can he used as natural fertiliser, that is only a fraction of the total. Chemical treatment the main alternative - has been limited so far and is not always adequate. Transportation, another option, is expensive and potentially hazardous hecause of accidents.

Breeding pigs is part of local culture, particularly around Parma. But the industry has grown exponentially through its own growth and the rise in diary farming.

Reggio Emilia, next door to Parma, is synonymous for Italians with Parmesan cheese. As dairying expanded, farmers looked for profitahle sidelines for waste dairy products. Pigs provided the answer.

No one is talking about closing down pig breeders or doing away with Parmesan, Passino stresses. But other countries with heavy concentrations of livestock farming, such as the Netherlands and Denmark, have pursued much more interventionist policies to ensure breeding is distributed more evenly around a region.

In spite of the challenges facing the Po, Passino tries to remain optimistic. "It's not true that it's a grossly polluted river - though there are sections which are especially bad. The Rhine is much worse. What I say is that it could be much better than it is."

Creating the authority was a big step forward, "For the first time. we are putting people round a table and getting them to work together. Our main function is to prepare a plan for the Po and then supervise its implementation", he says. "First, we need to think about how feasible various steps might be, then start talking about implementing them."

One strategy will be to persuade farmers to use chemicals more sparingly. He has four immediate suggestions to change agricultural atti-

· Greater price controls over pesticides and weedkillers to deter excessive use. • Better weather information for

farmers, so that repetitive use of chemicals - necessary after an unforeseen rainstorm - can be min-· Enforcing charges for the use of

water, which is now virtually free, to limit the use of chemicals. Moving away from single-crop farming, which weakens the soil and requires greater use of chemi-cal fertilisers to raise yields.

And the Adriatic? Passino, one of Italy's leading experts on water quality, says it has always suffered from pollution. "Pollution in the Po is certainly a contributor. But it's not the only one, and it's not the single most important factor.

In time, he hopes the river authority's efforts to monitor and co-ordinate regional policies will improve the water quality. But Passino has no illusions about how long it will take. "It took 25 years to achieve the

first results cleaning up the

Thames", he says.

Designers need a simple method of assessing green criteria, writes Hugh Aldersey-Williams

A clearer path through the numerical maze

uropean companies tend to put the cart before the making their activities environmentally cleaner. Only a small part of their efforts goes towards ensuring that their products are designed from the start to meet "green" criteria, as well as be attractive and useful.

positive contribution to environmental improvement. Despite accusations that its members tend to encourage consumption and built-in obsolescence, the design profession appears keen to help

create greener products.
Designers are well positioned to advance the cause of environmentally responsible industry, since they appreciate consumers' moods and have the

ear of manufacturers. Their problem has been the tidal wave of data on the environmental mpact of the many materials that designers use - 200 types of plastic alone. Designers are poor at making sense of all this. Industrial designers are not trained to interpret information that is presented in a scientific way," according to Paul Burall. author of Green Design.

Yet these data are vital for life-cycle analysis (LCA), emerging as the common practice for assessing the environmental impact of manufacturing options.

Current waste management practices do not generally consider the manufacture product itself as part of that waste. This anomaly shows up in LCA. There is a growing belief that manufacturers should take responsibility for their products environmental impact after sale. Germany, for example, plans legislation which will force manufacturers of electronic consumer goods to take back their products and ensure recycling. One difficulty is to insulate

often immumerate designers from the tedious arithmetic of LCA for each material they may want to use. Just as designers seldom do the stress calculations that ensure their product will not fall apart, so they should not be



personally responsible for the green calculations, according to Phil Seeney of the PA Consulting Group. For complex projects, the answer may lie in product development teamwork in which

an LCA expert joins forces with engineers and designers. Meanwhile, the emphasis is on giving designers a foolproof ready reckoner for rontine use. Ona programme aimed at developing mmon LCA methodology called Milion has been developed by the Eindhoven-based European Design Centre and funded by the **Dutch National Reuse of Waste** Research Programme. In a pilot project, six companies volunteered to design or redesign a product

according to Milion's criteria. The results show that "environmentally elegant" products that use fewer materials and energy are possible for the same or lower production costs, a finding of interest to industry which too readily dismisses greening as an additional expen

In Sweden, companies, including ABB, Electrolux and Tetrapak, are participating in a national programme for ecological product development. The key to their system's workability lies in the calculation of an "environmental load value" for each material or manufacturing process choice. This value is calculated as the prodoct of an "environmental index" and the quantity of

material or energy. Each environmental index is calculated from a detailed LCA.

Designers can thus use a simple constant and do not become embroiled in the theory and mathematics of the LCA itself. The technique can be used to compare the relative merits of steel or aluminium car body parts, for example. It takes into account the energy needed to extract the two materials as well as the quantity of material required to form the component, and the energy consumption of the car in use in both cases.

Philips, the Dutch electronics concern, has established an even simpler points system for the various materials and processes its design department might use. Each material has its figure of merit; there is another figure for the degree to which thet material is from recycled sources; others for additives, gines and finishes; and still others for various manufacturing processes. The designer simply tots up the relevant figures.

us

Results are approximate but still useful, for example enabling comparison of environmental criteria between different countries where Philips has the option of manufacturing a product. It is important that the data be quantitative but also simple, says Philip White, in charge of environmental design research at Philips Corporate Industrial Design Centre. "Limited use of numbers is fins with designers. But with engineers anything that doesn't use numbers: is suspect."

Property

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Nigel Kempner and Stephen

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NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

LEGAL NOTICES

The Secretary of State bereby gives notice as follows.

He proposes to grant separate licences under the Telecommunications Act 1984 ("the Act") to East Midlands
Telecommunications Limited ("East Midlands"), MFS Communications Limited ("MFS"), ScottishPower
Telecommunications Limited ("ScottishPower")(") and Torch Communications Limited ("Torch") to run
telecommunication systems throughout the United Kingdom. East Midlands, ScottishPower, MFS and Torch are
together referred to in this notice as "the Licensees". The licences will each be for a period of 25 years subject to
exiliest respectively in specified circumstances.

The principal effect of the licences will be to enable the Licensees to install and run relecommunication systems throughout the United Kingdom. The Licensees will be able to provide a wide range of services but excluding mobile radio services and certain international services. The licences authorise connection to a wide range of other systems including earth orbiting apparatus allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, each of the Licensees may be obliged to make available those tolecommunication services to all who reasonably request them within that area.

All the licences will be subject to conditions such that section 8 of the Act will apply to them, thereby making each of the systems run under each licence eligible for designation as public telecommunication systems under section 9 of the Act. It is the intention of the Secretary of State to designate the systems of each of the Licensees as public telecommunication systems.

The Secretary of State proposes to grant the licences in response to an application from each Licensee for such a licence because be considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of

He proposes to apply the telecommunications code ("the Code"), subject to certain exceptions and conditions, to East Midlands, MFS and ScottishPower throughout the United Kingdom and to Torch within the area marked on the map attached as an annex to Torch's licence extending to all or part of the counties of Derbyshire, Greater Manchester, Humberside, Lancashire, Lincolnshire, North Yorkshire, Nottinghamshire, South Yorkshire, Staffordshire and West Yorkshire. The effect of the exceptions and conditions to the application of the Code is that the Licensees will have duties: (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

(b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alternate. (e) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant

(d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in each licence to the powers under the Code; and

(c) to ensure that sufficient funds are available to meet certain habilities arising from the execution of street

The reason why the Secretary of State proposes to apply the Code to the Licensees is that the Licensees will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licenses. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.

Representations or objections may be made in respect of any of the proposed licences, the application of the Code to any of the Licensees and the proposed exceptions and conditions referred to above. They should be made to writing by 27 August 1993 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2.78, 151 Buckingham Palace Road, London, SW1W 98S. Copies of the proposed licences can freely be obtained by writing to the Department or by calling 071-215 1756.

Miss J M Knight, Department of Trade and Industry

(1) The Secretary of State announced his proposals to issue a licence to Scottish Power plc on 18 February 1993. That company has decided that the application for the licence should be carried forward by its wholly-owned subsidiary ScottishPower Telecommunications Limited.

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PEOPLE

New md at Carlton

June de Moller was reading for the bar and had every inten-tion of becoming a barrister – been in charge of corporate strategy and business develop-ment. I think that extra expeuntil she became completely rience in strategy from a more varions jobs in the printing industry more than 20 years ago, she joined a small printing company called Tangent Industries which was run hy two brothers - Michael and David

Yesterday June de Moller became managing director of the company that grew out of Tangent - Carlton Communications, the media group now capitalised at £1.46bn. She replaces Keith Edelman who was headhunted to replace David Dworkin as chief executive of Storehouse, the retail

De Moller has run individual divisions of Carlton, where she has been a director since 1983, but for the past two years has

global view made the differ ence," says de Moller. At 46 she is a non-executive director of Anglian Water and on the board of the Riverside Mental Health Trust.

At the same time as promo-ting de Moller, the Carlton board has reorganised directors' responsibilities.

Thomas Epley, chief execu-tive of Technicolor, Carlton's video cassette and film duplication subsidiary, joins the board with responsibility for group video and film services.

Nigel Walmsley, chief execu-tive of Carlton Television, the ITV company which holds the London weekday licence, will now he responsible for all broadcasting and software businesses including Pickwick,

mer government Chief Whip,

takes over from Lord Barnett,

former chief secretary to the

Treasury, whose term of office

at the BBC runs out at the end

tress of Bolton School, girls'

The retiring governors are



the video producer and distrib-

Both will report to de Moller, who never did become a barrister. She will have direct

Bernard Cragg, Carlton's finance director, will take on the extra responsibility of

lege, Oxford, whose term expired in March, Baroness

James, the novelist and Keith

Oatea, managing director of

Marks and Spencer, whose

terms run out at the end of

Two further governors have to be appointed to bring the

Lord Cocks, MP for Bristol

South from 1970-1987, will

receive an annual salary of £14.715 for the part-time job.

The other governors get £7.360.

board up to full strength.

this month

ership of Randsworth's parent company. The deal, which was an unusnal example of a bank taking control of a UK property company, had its origins in the 1989 £258m acquisition of Randsworth hy JMB Realty, a US investment group, which was financed by Citibank. The collapse in the UK property market resulted in a large

responsibility for Carlton's television equipment husi-

Kempner and Musgrave. who were directors of Randsworth between 1987 and 1993, have been appointed joint managing directors. Tony Brooks, finance director of Citibank International, has been appointed to the board, as have Stephen Karper and James Maguire, both directors of Citibank's UK Real Estate John Roberts of Merton Col-

Department

book loss for Citibank.

LAND SECURITIES, the UK's largest property company, has announced the retirement of William Mathieson from its

board Mathieson, who joined the group in 1962, has been an executive director since 1987. He was responsible for Land-Securities' Scottish operations in the 1960s and 1970s and for its development programme in the 1980s. Mathieson was also managing director of two of the group's property owning subsidiaries: Ravenseft Propertles and the City of London

Real Property company. Keith Redshaw, a Land Securitles director, will take over as managing director of Ravenseft Properties and Michael Griffiths, another Land Securities director, as md of the City of London Real Property Com-

Richard Caine, a non-executive director of Land Securities for the past 45 years, has also retired from the group.

■ Peter Jarvis, md of Balfour Maunsell, has been appointed chief executive of the MAUN-SELL GROUP in the UK: he is succeeded by Russell Farraday. Ted Jenkins. UK chief executive and md of G Mannsell & Partners, becomes chairman of Guy Maunsell International; he is succeeded as md by David Gregory.

BBC swaps Treasury ministers

The government yesterday made appointments to the BBC's board of governors which suggest that it is sticking to a status quo approach rather than making an attempt to change the make-up of the board or the role of the gover-

In the role of vice-chairman, it has swapped one former Labour Treasury minister with

Lord Cocks of Hartcliffe, a former parliamentary secre-tary to the Treasury and for-

Bill Jordan, president of the Amalgamated Engineering and Electrical Union has been reappointed for a second five year term as a BBC governor and Margaret Spurr, headmis-

BOARD.

FEDERATION.

■ Lord Tombs of Brailes

of this month.

division also becomes a gover-

Bodies politic

■ John Firth, md of Ingersoli-Rand Co Ltd, has been alected president of PNEUROP, the European technical body representing manufacturers of compressors, vscuum pumps and pneumatic tools.

John Milham, md of Ibstock Building Products, has heen appointed chairman of the BRICK DEVELOPMENT ASSOCIATION.

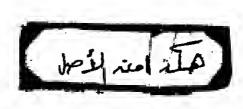
Howard Chandler, group

corporate affairs director of Grand Metropolitan, has been appointed chairman of the UK Committee of the BRITISH-AMERICAN CHAMBER of COMMERCE. ■ John Low, md of Ideal Homes Holdings, has been appointed chairman of the



chairman of the trustees of the BROOKLANDS MUSEUM TRUST. Lord Tombs is a Roy Parry has been appointed chairman of the FEDERATION OF SMALL former chairman of Rolls-Royce and of T&N, the MINES OF GREAT BRITAIN. motor components group; ■ Nicholas Hutton, chairman and md of Greenup and Thompson, has been appointed president of the BRITISH PRINTING INDUSTRIES

among his recreations are the restoration and driving of vintage motor cars. The museum trust has restored the original clubhouse and is restoring other buildings on the Surrey site to display its (above left) is taking over from collection of vintage aircraft, cars and motorcycles. Sir Peter Masefield (right) as



n unti-trus Microsofi

K and

increis:

Television/Christopher Dunkley

Long live the Heimat saga

o it is over. What are we to do now on Saturday nights? We have seen Hermann walking back down that long country road - bringing to mind the old Start-Rite ad, even though the trees were missing - towards his home village. His three vowe have all been broken. He said he would never return to Schahbach. He said that after his family's cruel destruction of his ecstatic boyhood affair with Klarchen he would never love another woman. And he vowed that his another woman. And he vowed that his only love would be music.

Now he has returned to Schabbach. He has admitted his lova for Clarissa. And although he has established himself as a composer and a relatively rich man (perhaps from film scores and fingles, it is one of the practical details which never became entirely clear) his future could lie anywhere. More to the point, music is not his only love: people and places have exerted their power over him and the ideals of the young man who set out so lcog ago, as it now seems, have been reforged on the anvil of life, in the heat of

For 13 weeks we have been watching that anvil and feeling the heat. The Second Heimat: A New Generation was a sequel to Edgar Reitz'a extraordinary and hugely successful Heimat. The first series told the story of a whole generation of Germans, from the first world war to the 1980s. Set in e village in the Hunsrück, it had a feeling for its period, a sense of place, and a cast of vividly realised characters which gave the serial much of the power of a soap opera. Yet its ambitions went way beyond those of any soap: its themes ranged from social history to technological development; from ambivalent attitudes towards Nazism to the meaning of patriotism and attachment to landscape. It was one of the most powerful and impressive

works ever shown on television.

That first series occupied around 16 hours. The second, with 13 episodes of two hours each, lasts 26 hours and every minute of both series was - astoundingly - written, directed and produced by Reitz. You might conceivably conclude that the first work was some sort of anomaly. With the second, which is in certain ways even better than the first, Reitz has proved beyond question that he has a huge talent. Furthermore if it is not unique, he has so far proved uniquely capable of getting the backing to put his work on the screen for these remarkable periods of time, enabling him to use drama to explore modern life in a way that has scarcely been attempted by anyone else.

Tha only British telavision dramatist who has tried anything vaguely similar is Frederic Raphael (*The Glittering Prizes*, *After The War*) and even Raphael's keenest fans could not pretend that his series had the same scope. Reitz's hreadth of vision is Tolstoyan, and future generations will surely look to *Heimat 1 & 2* as a key work of the late 20th century.

We are told that "heimat" means much more than homeland: Reitz has said it is the distant and yet familiar world in which memories and their images in the mind's eye are one". As the 13 episodes of The Second Heimat: A New Generation have flowed past, the importance of both parts of that unwieldy title have become increasingly apparent. This new series has been deeply concerned with the new Ger-many: the country where large husiness-men drive large Mercedes, and hourgeois flat hunters queue dutifully for a rare though expensive vacant flat in Munich (illustrated with one of Reitz's typically striking images: an endless helix of cli-

ents, turning and turning up a staircase).

That is the new homeland. But the Such sentimentality would have been wholly uncharacteristic. Although Reitz

series has been even more concerned with the "new generation": the young Germans whose parents were either Nazis ("My father was e pilot; helped bomh Guernica; got a medal for it; wore it next to his heart...") or, nearly as bad in the eyes of the new generation, failed to prevent Nazism. Given that this appalling double hind is not something that British viewers have had to live with, it is amazing how universal has been the appeal of the

It began in 1960 with Hermann Simon, playad with overwhelming charm hy Henry Arnold, arriving from the country to atudy music at the academy in Munich. it ended in 1970 with Hermann pursuing Clarissa across Europe, to spend the night, finally, in her arms – not, characteristically for these two, in bed, but on the floor of a small Amsterdam hotel. There was a dreadful moment when it seemed that Reitz was about to have them gaze into one another's eyes, swear undying love, and wander hand in hand into the sunset across some canal hridge.

Having been so compellingly truthful for

25 hours about the ambivalence of modern sexual relations in general and those of Hermann and Clarissa in particular, having brought the character of Clarissa, played with such power and poignancy by Salome Kammer, through marriage to her cello (Reitz cast a genuine cellist in the role which paid tremendous dividends. then, hy all accounts, fell in love with her and now lives with her) to partnership with Volker and a child, and finally abandonment of tha cello in favour of passion-ate adherence to feminism - after all that it would have heen appallingly cowardly to opt for a Barbara Cartiand finale. But of course Reitz did not.

In contrast to the embarrassment with

Henry Arnold as Hermann in Edgar Reitz's masterpiece

has always conveyed his story by way of a personal odyssey (13 actually since each episode has concentrated on a different character, though Hermann, Clarissa, Jnan, Schnüsschen and so on have remained central) part of his purpose has been to chart the change in moral attitudes during our lives and in this he has been impressively, sometimes chillingly, honest. From the early sixtles and the tendency of students to quote Spinoza while playing the Beatles, via the era of sex, drugs and rock and roll, to "les événements" when everyone had to debate the ideology of every action, then to the vio-lence typified by the Baader Meinhof gang.

Reitz has catalogued the mores of the

such matters on British television, he has been particularly successful at dealing with sex. During the episode when Her-mann played Chopin while one girl rubbed ointmant into the police-inflicted wound on his back, another fed him whipped cream off her finger, and a third merely gazed up at him in adoration, sexuality hung in the air like incense in a cathedral. Yet there was not a thing that Sexfinder General Lord Rees-Mogg could have put his finger on. in another episode where Hermann and Schnüsschen mada love while baby-sitting the sexual atmosphere was jokey, delightful and matter-of-fact in a way that is impossible to imagine in a British television drama. It really was, in that over used phrase, true to life, as was so much of this huge work.

Ballet/Clement Crisp

Le Corsaire

Yet The Second Heimat was no documentary. The reason why Saturday nights will seem so empty now is that, like every great creator of fiction, Reitz created a wholly convincing world that we could opt into. For 13 weeks we have lived with Hermann and Roh, Helga and Stefan, the tragic Reinhard, and even little Lulu, Hermann's daughter who ended up with a definite character of her own. Reitz's genius is not that he has recreated so accurately some of the key social and ethical landmarks of our lives, but that he has done so as the background to a gripping story about psople who have sometimes seemed more real than our own friends.

Whenever Reitz wants to take Hermann and Clarissa, Elisabeth and Trixi on into the 1970s it cannot be too soon.

Theatre Lust

fter the spectacle of Sunset Boulevard, here is a return to a jollier, much more old-fashioned kind of musical. Not since Sir John Vanbrugh'a The Relapse became Lock Up Your Daughters over 20 years ago can there have been such a successful putting of a restoration comedy to

Lust is based on William Wycherley's The Country Wife and is every bit as lewd as the original, possibly lewder. Far more than that, however, the show is huge fun from heginning to end. Lust is perhaps a slightly misleading title, for there is nothing remotely sinister about lt.

This fust is thoroughly healthy.

The time is given as 1661. King Charles II has just been crowned, the characters throw off their puritan garb and the restoration is under way. So is the music which almost never stops. The borrowings by the Heather Brothers and the musical director, David Firman, are absolutely shameless, but glorious. There is a touch of Mozart, a bow to Gilhert and Sullivan, homage to Elvis and a recurrent fling with the tango. No attempt is made to present the music as a coherent whole, hut It does not matter in the slightest. If it is a good song, put it in. Some of the songs in Lust are very

good indeed. There is also a wonderful part in Horner. This is the character in Wycherley's play who pretends to have been castrated in order to increase his access to the ladies. Here he is played by Denis Lawson as a superbly handsome, romanticlooking Don Juan with long flowing locks and tremendous physical agility. Lawson can sing as well: notice

his "I Live for Love." Yet this is not a pretentious show. In the era of the spectacular, it comes as a pleasant treat that the most extensive and perhaps the most expensive prop is simply a large four-poster bed. Lawson sings



Denis Lawson and Sophie Aldred

in it, awings on the horizontal bar and, of course, is caught in it. There is a marvellous vignette when hanging from the bar, his trousers just being removed by Lady Fidget, the couple is surprised by a potentially jealous husband. Almost with one bound, at least of the imagination,

he is free. Some of the parts are an improvement on the original, notably Quack, the doctor who keeps up the pretence that Horner really has turned into a eunuch and carries the evidence to prove it. Played by Paul Leonard, this Quack is a servant to his master in the best Don Juan tradition.

Apart from the lust, there is love. Helen Hohson's Alithea, sister to

Pinchwife, the excessively jealous husband, has a fine romantic song "Come Tomorrow". And there are jokes: a splendid number called "China", which is not about China at all, neither the place nor the sub-

The direction is by Bob Carlton and the Haymarket is just the right theatre for a piece that may seem modest in its aims and staging, but is vastly more enjoyable than most other musicals. Lust is a triumph of getting the hasics right: acting, music and a good plot.

Malcolm Rutherford Theatre Royal, Haymarket (071)

he Kirov hrought Le Corsaire into the season's repertory on Monday night. It is a preposterous, jolly staging. The corsair's vessel sails under the flag of convenience of "Petipa", hut its real identity is Carry on Slave-trading. The ballet's relationship to any historical antecedents is, shall we say, tenuous. Many editorial hands have been at work on production and score -what we see is nearer Indiana Jones than Byron, Amid piratical goings-on, lovely girls, Pashas, and a squad of Turkish troops who have fed too well on rahat loukoum, there are fascinating set pieces of choreography that have survived from Petipa's recensions of this celebrated 19th-century spectacular. They are surrounded by manic scenes that the Kirov artists play tongue-in-cheek, treading with supreme skill a tight-rope between emotional extravagance and farce. The staging, like its spatch-cocked score, makes no sense other than as

an excuse for the company to have

earlier Béatrice et Bénédict and Fide-

(two more to come, tonight and

Thursday), had no pretence at stag-

ing; and like the Berlioz, it has too

much dialogue in foreign-speak for a concert. The same hopeful solu-

tion was adopted: scrap the

speeches, and hire an amusing

English narrator to sketch the

action between the musical num-

bers, which will be sung in the orig-

For Béatrice John Wells' narra-

tion was widely reported to be less

amusing than facetious, intrusive

and interminable. The Widow had

different problems. The parrator's

script, commissioned from Tom

Stoppard, was built upon the con-

ceit that a marginal character

should recount the action whilst

smugly imagining himself to be a

central figure in it (cf. Stoppard'a

Travesties). There were a few clever

The Merry Wido

inal language.

éhar's operetta was the last

foray this season by the Glyndehourne Festival to

the South Bank, Like Its

fun and then grip us with tremendous classic dancing. I don't think it is Le Corsaire - hut I don't know what else to call it, and I enjoy every minute. Chief pleasure on Monday was Konstantin Zaklinsky as the slavetrader Lankedem. Zaklinsky is a spiffing comedian. Under the handsome trappings of the premier dan-

seur there is a fortunately ill-hidden farceur. Whether chaffering over slave prices in the first scene or persuading the heroine to administer a Mickey Finn in a ludicrous hunch of flowers to the infinitely boring hero, Zaklinsky is a joy. He knows exactly how too-far to go, and in a cast more sober-sided than the plece deserves, he was a beacon of physical wit and of the lighthearted manner that must keep the

The hero, Conrad, is a thankless role, hut not as thankless as Alexander Kurkov showed us. His sidekick Ali - whose reward in life is the tricky bits in the famous pas de deux, which turns out to be a pas de trois, with Conrad as the mari complaisant - was Farukh Ruzimatov. His locks more tangled than heretofore, and looking as if he were in search of a production of Hiawatha, Ruzimatov struck serpeotine poses and gave us self-parody rather than performance. Yulia Makhalina was the heroine, Medora, very brilliant in technical effects, the conquering virtuoso ever in search of chal-lenges. She provides dancing of aggressive virtuosity, and Medora's character is lost in the steps. I found Irina Shapchits delightful in the second ballerina role of Gul-

nara. Her dancing is so sweetly,

featly done that you warm to the sheer charm of her technical flu-ency and to the character she establishes with such gentleness.

The key to the production is the Jardin Animé, a classical showpiece which is well-preserved Pet-ipa, and a beguiling reminder of his manner. Cohorts of girls in pink group themselves, bearing garlands. Fountains play. Makhalina and Shapchits nip through variations. each according to her temperament (and the contrast between bravura and grace is in itself intriguing). The prelude to the scene also offers soloist roles with more Petipa variations - in which I admired Larissa Lezhnina and Irina Sitnikova. All of this epitomises the evening: sparkling classic dance embedded in an exotic setting. And I suspect that some of Petipa's work was ever like that, it is, on any terms, worth see-

The Kirov Ballet continues at The Coliseum with mixed programmes

Opera/David Murray The Merry Widow

the plot; Dirk Bogarde's arch delivery had its moments.

What the narration and the expensive programme-book failed to do, however, was to tell the audience what most of the singing was about. Though each number is founded neatly upon some metaphor - or a histrionic slogan, like "I am a respectable wife!" - no clues were given us. The net effect was that tha verhal convolutions of Stoppard's narrator were interrupted from time to time hy tunes

sung to obscure foreign words. That said, I must say also that this Lustige Witwe hoasted an appealing international cast, and in Franz Welser-Möst a conductor thoroughly attuned to Léhar. He milked his muted strings for maximum sentiment, aptly, in the "Vilja" song and elsewhere; the

every waltz, and they and their conductor brought off their pressurised up-tempo reprises with éclat. The Glyndehourne Chorus were crisp and lusty (some of them stepped efficiently into minor roles too). Among the diplomatic personnel, Robert Poulton's Baron Zeta bristled brightly.

As the widow Hanna, Felicity Lott visibly enjoyed the whole performance and was coolly ravishing in "Vilja". There will he CDs for sure, and on them her soft-grained soprano will carry over the ensemhles; live in the Festival Hall, however, she had not the diamond-cut edge to slice through. Her forte is "silvery", not vocally commandeering in the manner of a seasoned overetta star.

The tenor John Aler was properly stylish and wimpish as lovelorn

Camille. His adulterous Valen-cienne, Elzbieta Szmytka, played the soubrette by the classical rulebook, with too little scope to display the lively creative gifts we admired As Hanna's inamorato Count Danilo, the ultra-tall, virile, expansively laid-hack American baritone Thomas Hampton might have seemed a raw cartoon; in fact he captured the airs of a classy European spiv to the hilt, lacking only a husky undertone of vulnerable feel-

Without that, we felt no real stah of dismay when he decided to retreat to the decadent swirl at Maxim's. Yet little stabs like that are what earn halos for Léhar settings of silly stories: the plot-mechanics may creak, but he finds occasions - just often enough - to match professionally crafted tunes to honestly felt situations. In the verbose circumstances of this Merry Widow, we could not be struck hy that as much as we might have



■ AIX-EN-PROVENCE

This year's festival has a diverse trio of operas. Weber's Euryanthe is conducted by Jaffrey Tate with a cast led by Thomas Moser, Andreas Schmidt and Karen Huffstodt. Handel'e Orlando brings together William Christie'a Les Arts Florissants and a staging by Robert Carsen, with a cast led by Felicity Palmer and Lynna Dawson. Don Glovanni is revived from last year, with a cast including William Shimell and John Mark Ainsley. Among the concerts are Brahms' German Requiem (tonight in the Cathedral) and Campra's L'Europe galante (July 28 in the Archbishop'a Palace Theatre). Recitalists includa Gundula Janowitz, Lella Cuberii and Nathalie Stutzmann, Ends July 28 (4217 3434)

AVIGNON

Jorge Lavelli's ataging of Edward Bond's Malson d'arrêt is in its final week, to be followed by another Lavelli production - Steve Berkoff's Kvetch (July 27-Aug 2). Other

attractions Includa Sophocles' Oedlpus at Colonus, staged by Ensembla Kotéba from Abidian (July 27-Aug 1), and Tom Stoppard'a Rosenkrantz and Guilderstein are Dead, performed in Russian by an Israeli company (July 27-Aug 1). This year'a festival is contained within the ancient city - nothing out at Boulbon or Les Taillades but there are recitals at the Chartreuse of music by Harrison Birtwistle, Klaus Huber and others. Ends Aug 2 (9086 2443)

BRUGES

Tha early music festival opens on Sat. Highlights includa a performance of Carissimi's oratorio Jepthé by the Consort of Musicke conducted by Anthony Rooley, Spanish medieval music played by Hesperion XX conducted by Jordi Savail and a song recital by Emma Kirkby. Ends Aug 8 (050-448686)

■ BAYREUTH

Interest at this year's festival, opening on Sun, focuses on a string of debuts. East German dramatist Heiner Müller tackles his first-ever opera production, Tristan und Isolde, designed by another Bayreuth debutant, Erich Wonder. After a decade as Bayreuth'a reigning Kundry, Waltraud Meier attempts the soprano heights of Isolde, while Siegfried Jerusalem tackles his first Tristan. Daniel Barenboim conducts. in Parsifal, conducted by James Levine, the new Kundry is Deborah Polaski, while Poul Elming and Linda Finnie join the cast in Werner Herzog'a production of Lohengrin. Donald Runnicles returns to conduct

By an existency process of the state of the

Wolfgang Wagner's production of Tannhäuser, with a cast led by Wolfgang Schmidt, Tina Kiberg, Eike Wilm Schulte and Manfred Schenk. Gluseppe Sinopoli conducts Dieter Dom'a 1990 production of Der fliegende Hollander, with Bernd Waikl as the Dutchman and Sabina Hass as Senta. Ends Aug 28 (0921-20221)

CANNES

The annual chamber music festival organised by pianist Gabriel Tacchino Includes a performance of Stravinsky's Soldier's Tale tomorrow, a violin-and-piano recital by Olivier Charlier and Brigitte Engerer on Sat and a Chopin recital by Grigori Sokolov next Wed. Ends July 30 (9298 6277)

■ HEIDELBERG

This year's open-air festival performances at Haidelberg Castle begin on July 28 and include stagings of Haydn's L'isola disabitata and Cav and Pag. Ends Aug 31 (Konzertkasse, Theaterstresse 4, D-6900 Heidelberg. Tel 06221-583521)

LA ROQUE **D'ANTHERON**

Tha castle grounds of La Roque d'Anthéron, equidistant from Avignon and Marseilles, are the peaceful setting for a piano festival which has been gathering international renown since it was founded eight years ago. In this year's opening concert on July 31, Brighte Engerer is soloist with the

Novositrirsk Philharmonic Orchestra from Siberis. There are 33 concerts in all, with programmes celebrating anniversaries of Grieg, Tchaikovsky and Rakhmaninov, a cycle of Schubert sonatas on modern concert grand and forteolano, a Debussy series using period instruments and introductions to Mediner and Corigliano. The line-up of artists Includes Christian Zacharias, Nikolai Demidenko, Maria Joao Pires and Stephen Hough. Ends Aug 22 (4250 5115)

■ MONTPELLIER

Redio France's annual festival continues to promota off-the-beaten-track operas in concert format. This year'a line-up includes Moriacchi'a Barber of Seville (tonight), Zemlinsky's Birthday of tha Infanta (Fn), Puccini'a Le Villi (July 31) and - best of all Reyer's grand, unjustly neglected Sigurd, with a fine cast headed by Chris Merritt (Aug 6). Other highlights include the Gustav Mahler Youth Orchestra with Abbado and Hvorostovsky, a Wagner and Resolahl concert with Hildegard Behrens and a plano recital by Friedrich Gulda. Ends Aug 11 (6702 0201)

■ TORROELLA DE MONTGRI

Tha setting for this festival is a town on the Costa Brava near Spain's border with France. This year'e line-up includes Katia Ricciarelli (Sat), Giacomo Aragall (Aug 4), Bohuslav Martinu Philharmonic Orchestra (Aug 12), Franz Liszt

Chamber Orchestra (Aug 15 and 17), the Solomon Trio (Aug 20) and Berlin Philharmonic Virtuosi (Aug 21). Ends Aug 22 (0972-781098)

■ SAN SEBASTIAN Highlights of this year'a festival (Aug

16-Sep 2) Include Pier Luigi Pizzi'a Monta Carlo production of La. traviata, the St Petersburg Philharmonic Orchestra, Španish National Orchestra with Its chief conductor Aldo Ceccato, a series of organ recitals devoted to the works of Messiaen and church concerts featuring the Hilliard Ensembla and others (Quincena Musical, Teatro Victoria Eugenia, Reina Regenta s/n, 20003 San Sebastian, Spain. Tel 043-481238 Fax 043-430702)

■ SANTANDER

The festival opens on July 31 with a concert by the Philhamonia Orchestra. Other visitors includa Anne Sophie Mutter, the Scala Orchestra with Muti, and e bevy of Russian artists - tha St Petersburg Philharmonic and Bolshoy Opera Orchestras, Iha St Petersburg Stata Ballat and tha Kirov Opera, which gives performances of Don Carlo and Prince Igor. Ends Aug 31 (Festival Internacional de Santander, C/ Gamazo s/n, 39004 Santander, Spain. Tel 042-314819 Fax 042-314787)

■ CASTELL DE PERALADA

The gardens of this Catalan castle

north of Barcelona are the beautiful setting for an annual festival of opera, dance and concerts, opening on Sat with a concert performance of Der fliegande Hollander, conducted by Friedrich Haider, with e cast led by Simon Estes, Metti Salminen and Deborah Voigt. The next event is Ballet Victor Ullate on July 30 and 31. The programma In August Includes e staging of L'elisir d'amore, a recital by Anne Sophie Mutter and concerts conducted by Jordi Savall, Neville Marriner and Yuri Ternirkanov. Ends Aug 23 (072-538125)

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamhurg, Lüheck and Kiel to some of the most attractive towns in northern Germany, in venues with e more local atmosphere than most international festivals. There is e strong Polish influence this year, with three Polish orchestras touring the region and performances of Szymanowski, Panderecki and several less familiar compatriots. Tha line-up over tha coming week includes the Moscow Soloists with Vledimir Spivakov in Rendsburg and Hasselburg, the Brodsky Quartet in Altenhof and Elmshom, and the Württemberg Chamber Orchestra with James Galway in Flensburg, Haseldorf and Meldorf. Other visitors later in the festival include Anne Sophia Mutter, Shura Cherkassky, Jessye Norman and Igor Oistrakh. Ends Aug 22 (0431-567080)

ARTS GUIDE

Mondey: Performing erts guide city by city. Tuasday: Performing arts guide city by city.
Wednesdey: Fealivels Thursday: Festivals Guide. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Ali times are Central European Time)

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Wednesday Super Chan-nel: Finenciel Times Reports 2130 Thursdey Sky News: Finencial Times Reports 2030: 0130 Friday Super Chennel: European Business Todey 0730; 2230

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0930

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"lf it ain't broke, don't fix it." said Mr Douglas Hurd. UK foreign secretary, last January, answering a question about the membership of

the UN Security Council. The system was working well. The existing five permaneot members had at last found the coheaion necessary to play the role assigned them by the United Nations Charter. So why risk paralysing the council by introducing new members. especially sioce it would be very difficult to know where to

No doubt the case for admittiog Germany and Japan was strong, based on their economic importance - though they would have to match that with a bolder and more direct role in world security if their candidature were to be taken seriously. (A pause at this point for the British and French to thump their chests: Our troops are in the Gulf, Bosnia, etc. Where are yours?)

But don't imagine that the two-thirds majority in the General Assembly required for amendment of the charter would be available for two extra permanent members from the rich north, unless the poor south's importance were also recognised. We should find ourselves enlarging the council's membership to 20 or more, and giving vetoes to problematic countries like India and Brazil, or even Indonesia and Nigeria. Where would your new world order be

I paraphrase, of course. Indeed, I caricature. But that has been the gist of the British argument for opposing change. There are two things wroog

First, it is too self-serving. Britain's interest - or at least the interest of the UK foreign office - in preserving the trappings of being a great power long after the reality has gone is too obvious for the merits of the case to command attention.

The case sounded much more persuasive than it ever has in the mouths of British ministers or diplomats when, last week, it was put by a young German scholar, Marc Weller of the Cambridge Research Centre for Internatlonal Law, arguing against his own country's campaign for

Limits of world order

There is much about the UN that needs to be rethought

The secood problem is that Are we sure that the UN Security Council "ain't broke"? It is true that the vehicle is

now in motion, with one great power firmly in the driving seat, which is better than when it was immobilised by rival drivers vanking on the hand brake. But the steering column looks increasingly ropey, the needle on the petrol gauge is well into the red, and many of the passengers have no confidence in the man at the wheel. Should we wait until it has ground to a halt again, or careered right off the road.

Restoring order and rebuilding society requires armies and a will to use them

before attempting an overhaul? Many things about the UN need to be re-thought. The membership of the Security Council is only one of them, and perhaps oot the most directly relevant to immediate problems. More countries with vetoes may well not be the answer, and certainly an increase in the weight of rich countries at the expense of poor ones would make things worse. If the number of permaoent members is to be increased, the veto should either be scrapped and replaced with a system of weighted voting, or there should be provision for an override when the majority is

large enough. First, though, we should all think harder about what we actually want the Security Council to do. Its primary responsibility under the char-

ter is "the maintenance of international peace and security". It has no direct responsibility for the maintenance of peace and security within states and it is not equipped for that task. It has slid into it for three reasons:

• War and insecurity within states have a tendency to spread across international frootiers, for example in the cases of Cambodia and Iraq. • In many conflicts which start within states the existence of the state or its frontiers becomes the central issue, as is the case with Yugoslavia. • Public opinion in western countries, which at present dominate the council, no longer feels that its responsibility to try to halt bloodshed stops at the frontiers of a sovereign state, since images of blood-

shed and misery now leap across frontiers and oceans into every western living-room. No man is an island. That is perhaps more true today than when John Donne said it. The urge to "do something" is natural and admirable. But to act on it is frivolous and irrespon sible unless we first measure the size of the task and forge instruments capable of per-

To restore order and rebuild society in countries where it has completely broken down requires sizeable armies and the will to use them. It requires confiscation of sovereignty and the imposition of external rule - temporary, no doubt, but measured in years rather than months. Either a single country has to under-take this task - that was the old way, but is any country now willing to do it? - or a supranational authority has to be set up specially for the purpose, with procedures and

chains of command carefully worked out. If anyone asked me to take charge of Somalia, for instance, I should want a very broad mandate, authority to hire and fire all UN personnel within the country, both civilian and military, and to use force against any local group that challenged my rule. I should want a guaranteed budget and at least a three-year term, to be shortened only by a

unanimous vote of the council I rather doubt if I should get it. If I did, how could I guarantee that mayhem would not again break out oo my departure, as it did in so many coun-

for the same Royal Navy contract recently, one of them had to emerge the winner. But for Tyneside's Swan Hunter and VSEL of Barrow-in-Furness, Cumbria, there was more at stake than one

belicopter carrier. After the Ministry of Defence rejected Swan Hunter's £220m bid in May, the receiver was called in and 2,200 workers face unemployment. The MoD's acceptance of VSEL'e bid. cheaper by about £50m, gave the UK's specialist submarine builder a re-entry into surface ships after a decade's absence.

Now the National Audit Office, the government spending watchdog, has been asked by the House of Commons defence committee to check if the competition was fair. It is expected to report next week on how the two companies, with more than two centuries of shipbuilding experience between them, came to offer

bids of such disparity. The answer is likely to stem from the different approach each company took to meeting the navy'a needs. Swan Hunter wanted to do

all the work itself, and estimated that building tha ship would consume 7,000 man years (the amount of work done by one worker in one year). VSEL, by contrast, divided the work into navy and civilian parts, and gave the merchant parts to a civilian shipbuilder. Kvaerner Govan. VSEL and Kvaerner Govan say they need fewer than 2,500 man years to build virtually the

Although the rival bids were for similar ships, the thinking behind each design differed. While Swan Hunter believed the ship was entirely military, VSEL thought the design was basically a merchant ship with military hardware bolted on.

The difference between a warship and a merchant ship is more than a matter of guns and engines. Military ships are more technologically demanding. Their reliability must be higher, with vital components protected from the shock of battle. They need computerised fire management and back-up electronics to make it more likely that control and communications systems would survive attack.

In a warship, this equipment is packed in hulls made from ultra-thin metal plating to reduce weight, even though welding thin metal is slow and

Not surprisingly, navy ships

Daniel Green on how a civilian shipyard helped VSEL cut costs and gain a Royal Navy order

Strategy to win a sea battle



Sea change: VSEL will be working on a carrier at Barrow-in-Furness after a decade of submarines

are expensive; a small frigate costs between £100m and £150m, more than twice the price of the costliest of mer-

Unusually, the MoD's specifi-cation for the helicopter carrier did not call for a normal warship, but was a hybrid of military and civilian components. The hull is to be of merchant standard, but many of the fittings are military.

This combination posed problem for VSEL and Swan Hunter, both essentially navy suppliers, although Swan Hunter hae in recent years

tried to broaden its skills. The Swan Hunter yard has a long and illustrious history in commercial sector: in 1907 built the Mauretania liner, one of the largest liners of its time, and merchant ships were big business in the 1960s. This ended when the yard was consigned to making warships as part of the nationalised British Shipbuilders in 1977-86.

But it had recently returned to building some merchant ships after almost two decades devoted to warships, Since privatisatioo seven years ago, it has won contracts to build cranes for the offshore oil industry, a River Tyne ferry and a ship designed to work in the Antarctic. The number of its merchant contracts peaked one-quarter of its workload the early 1990s. Last year, ment felt able to say it had the UK's only design team with the experience and expertise to build both warships and erchant vessels.

VSEL, by contrast, has concentrated on defence work, argely Trident submarines. So decided that the merchant ship aspects of the helicopter carrier - at least half the work of building the ship - could be done by a yard with no navy

he result was a plan to build a hull, hellcopter platform and engines. This structure would qualify as a merchant ship and be built to merchant standards set by Lloyd's Register, the ship classification society. It would then sail to Barrow-in-Furness to have military kit fitted.

As prime contractor, VSEL picked its subcontractor carefully. Kvaerner Govan has been owned by one of Europe's most successful merchant shipbuilders, Norway's Kvaerner Industrier, since 1988.

The yard, on Clydeside, has for several years been building carriers, which are among the more advanced merchant ships on the seas. The safety standards needed in gas carriers mean that Kvaerner Govan is more experienced than some other merchant yards at the specialised welding and automated disaater management systems that would be useful

for the helicopter carrier. The MoD specifications for the helicopter carrier are, in some areas, less exacting than Kvaerner Govan's standards for gas carriers. The helicopter carrier's welds need be checked with X-rays only at random points, according to Kvaerner Govan. The welds on gas tanker hulls, however, must pass a comprehensive

X-ray examination. With the help of its parent, Kvaerner Govan has invested £35m in equipment to cut costs. This is on top of the public money that went into the yard before 1988 when it was owned by the nationalised British Shipbuilders, It hopes to break even this year for the first time under Kvaerner Industrier's control. This investment is under-

imed by equipment differences

between Swan Hunter and Kvaerner Govan. Both build sections of ships under cover to improve productivity; work can continue during bad. weather, and workers perform better in the warm and dry But Kvaerner Govan can build much more under shelter than Swan Hunter. Most of the 235m went on covered units for ship. sections weighing up to 1,500 tonnes, more than seven times the size possible in Swan Hunter's covered units.

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These differences alone could account for a substantial difference in costs between the yards. But beyond them, there are long-standing structural differences between merchant ship and warship builders in general that could widen the

gap further. Warship yards acknowledge that they cost more to run. If you gave a merchant shipyard a warship contract, it would be cheaper than if you gave the same contract to a navy yant. says Mr Boh Mulligan, techni cal director at Vosper Thorneycroft, a Southampton-based naval shipyard.

The reason is that a Bavy yard has higher overhead than civilian rivals, says GEC, which owns the Yarrow navy yard, on the River Clyde, Extra staff are needed to oversee the development, construction and installation of each part of a warship, such as hull, early warning systems and we and report to opposite numbers

in the MoD. "Across all defence production there is a much greater requirement for liaison between the manufacturer and the customer. They (the military] want a detailed breakdown of overheads and work done in regular progress reports," says GEC. "A commercial yard does not need to have those people in place."

In the past, the impact of such structural differences on costs has not been tested, because merchant and warship yards have not competed for the same contracts. Now the helicopter carrier experiment. may have set a precedent for future MoD contracts.

Indeed, the MoD is determined to press ahead with further contracts mixing defence and civil components, whataver the National Audit office report says.

This was not a one-off." says the MoD. "The result is that there will be rewards for. industry, but there will be increased risk too." Deals combining military and civilian contractors are part, it says, of its policy to pass on the risk: from taxpayers to suppliers.

Wouldn't you like to talk to the people who make the world go round?



The IMF/World Bank meetings in Washington this September hold a special interest for top decision

Today they have to think beyond national bordars and take account of global issues. And they will look to the Financial Times for the most authoritative reporting of avents as they unfold in Washington. Tha financial Times IMF/World Economy and Finance Survey will be published on Friday. September 24 to coincide with the Washington meetings.

It will deliver a unique opportunity for advertisers to speak directly to a very select group of people. To ensure your message is not lost please telephone Hannah Pursail in London +44 (0) 71 873 4167 or your usual Financial Timee representative.

FT. IMF/World Economy and Finance Survey.

THE EDITOR

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Tax-efficient pay rises aid unemployment

casts" (July 17), and would like to expand upon a theory as to why the two key indicators retail price inflatioo and unemployment - have recently been

so favourable. l specialise in the activity known as profit-related pay, an area of tax legislation designed to motivate employees by relating a proportion of their pay to company profits, with that profit-related element being paid without deduction of tax. The untaxed element can be up to 20 per ceot of gross pay, or | increases of up to 5 per cent |

employing more than 30 staff has either put in place a PRP scheme or is actively considering it for its next financial year. This is because, in most cases, an appropriately devised PRP scheme can effectively substitute up to 20 per cent of existing salaried pay with taxfree profit-related pay without recourse to movements in the company's profits. This will have the effect of providing employees earning up to

£20,000 per annum with pay

Businesses are actively introducing PRP at a time

when they would normally otherwise have offered a pay rise in lieu. In other cases, where industries are hit by recession or where employers are more greedy, staff are being asked to accept gross pay reductions of up to 5 per cent while still being promised higher net salaries.

This can allow an employer to avoid making redundancies that would otherwise have beeo necessary.

to have increased substantially since then. While the impact that PRP is having on wage inflation and unemployment figures is healthy, one should be aware of the corollary effect it is having on tax revenues collected through the PAYE system.

Peter Duboff Duboff & Co. chartered accountants. Trafalgar House, Mill Hill, London NW7 3SA

Strong case for | Relocation move means double taxation UN reform

From Luca Corabi. Sir. Leslie Crawford, in her article, Rising death toll stokes Somali hatred against UN" (July 14), gives a lucid and impartial account of the tragic events in Mogadishu and

of the causes of them. What should possibly be added as a comment is the urgent need to reform the structure of the United Nations - in the light of the radical changes that have occurred on the world political scene - giving more powers to the general

Should this not take place, the organisation will remain, as it imdoubtedly is today, nothing more than a screen behind which the US hides the most controversial aspects of its foreign policy. This will lead many emerging countries of the world to share a feeling of suepicion and mistrust towards what will increasingly be regarded as a hypocritical international tool. Luca Corabi. Via Maddalena 9.

From Mr John W Spirling
Sir, The Treasury will have surpassed Itself with the efficiency of impending legislation

which will not only raise a tax. but also a tax on a tax. This is the inevitable result of the only option left to major companies relocating employeea after the government's proposed new tax on relocation expenses is implemented.

Responsible companies pay only the expenses necessary to achieve a rapid relocation, the employee not being out of pocket. Typically, the cost of this (including agent's fees, are doubly taxed on a necessolicitor's fees, duty charges,

chancellor in March. From August the employee will be required to pay tax on expenses in excess of this limit. in reality tha employer will pay the employee an additional amount sufficient to meet both the cost of the tax and the tax

bridging coats, etc) is more

than double the £8,000 non-tax-

able limit suggested by the

on the additional amount The net result? Companies

sary expense. Expanding, multi-location companies are disproportionately penalised. Is this really the most appropriate way to increase government income? John W Spirling, group personnel director

White House Chambers,

To the point

From Mr Raymond Nottage. Sir, The Financial Times Style Guide (Hawks and Handsaws, July 10/11) will no doubt be a power for good in the journalistic world.

In this, I wondar, will it bring about the demise of the war-time euphemism "in short supply" and restore the simple word "scarce" to media parl-

Raymond Nottage, 36E Arkwight Road, London NW3 6BH

Not only an environmental cost

From Mr C H Wroe.

20122 Milan, Italy

Sir, David Buchan's article on homegrown petrol con-cludes with the assertion that some EC member states are less than enthusiastic about biofuels because of their adverse environmental and industrial effects ("France samples homegrown petrol",

While this is undoubtedly

true, at a time of burgeoning deficits, a loss of tax revenue

minds. C H Wroe, RP Chemicals. Belarave House.

of up to £3bn across the Com-munity, plus a slightly smaller sum in other agricultural support costs, may also cross their

76 Buckingham Palace Road, London SWIW OSU

Matters of record regarding council leader's resignation

From Councillor David Weeks. Sir, You carried an article by John Authers on July 15 about Westminster City Council ("Troubles mount for Tory council"). May I put on record three points. In particular, Mr Authers said that the council's managing director. Mr Monta-cute, refused to publish certain letters. Mr Authers did not ask me if he could see them. Had he done so I would have made them available to him

My resignation statement makes clear that I resigned as leader of the council "as a result of political disagreements over my approach to the council's management". Other reasoos which you have suggested were not relevant.

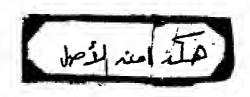
With regard to the housing policy of designated sales, this is in full operation and is one of our most popular policies among our council tenants. At the last council meeting tenants of a further estate

requested that they, too, should be allowed to have "designated sales" status.

I cannot anticipate what the district auditor may report on the subject. What I can tell you is that the council obtained the advice of leading counsel about it on three different occasions: in 1987, when the policy was first implemented; in 1989 when the Labour party first made the allegations that you described; and in 1993, in the light of new papers which have been requested by the district auditor. On every occasion the QC confirmed that the policy

No action has been taken following the raid on my office by the managing director because no action was needed. Only I1 sheets of paper were involved; they were all perfectly legal. David Weeks,

former leader of the council, City of Westminster London SWIE 60P



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FINANCIAL TIMES

Number One Southwerk Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday July 21 1993

Clarifying the green agenda

RECESSION AND growing awareness of the cost of implementing the world's green aspirations have pushed environmental concerns down the political agenda. After a decade of enthusiasm for regulation and international deals on the environment, it is a time for priorities.

The best reason for acting in

environmental questions is when there is a risk to health and safety. Many environmentalists go further, arguing that a duty exists to preserve the environment for posterity, whether or not bealth is at risk. Lady Thatcher spoke of this generation's responsibility for a "full repairing lease" on the planet in her 1988 epeech to the Royal Society.

That approach, captured in the notion of "sustainable development", is problematic. Many economists find it incoherent, since consumption of perishabla, non-renewable resources, such as oil, cannot be sustained indefinitely. At its purest, the notion of "sustainability" amounts to a plea for conservation for its own sake, be it of whales or of particular habitats, like rainforests. This position emoys public support, particularly in rich countries. But governments should carefully distinguish conservation from concern about threats to people's physical well-being. They should also be clear about the price they are willing to pay for the preservation of blue skies or rare animals.

If health and safety are to be put first, global warming, the subject of one of the two treaties at the Rio summit last year, should be viewed as the most important single global risk. The threat of a rise in the planet's temperature from growing concentrations of carbon dioxide and methane in the atmosphere has not yet been proven: some scientists believe that clouds and the oceans might counteract the change. Nevertheless, warming would cause widespread social and agricultural disruption, if it were to occur, while achieving hetter knowledge will take decades of research. Given the slowness of international negotiations on curhing emissions as well, the issue should be tackled

Rio sidestepped other important questions, notably population growth, to which more attention should be paid. Similarly, it gave little time to trade questions, though recent challenges to the proposed North American free trade agreement and the General Agreement on Tariffs and Trade show how environmental worries

may lead to protectionism. But the environmental concerns that merit attention are not only global ones. Governments should also pay attention to local miseries. Urban air pollution, for example, is suspected of causing rising asthma levels. Equally important are contaminated land and mismanaged ruhhish tips. while noise is among the main complaints in rich countries and

polinted water in poor ones. Nevertheless, not all environmental concerns deserve the attention they are given. Ozone layer depletion, for example, poses far less of a threat than global warming. Now that curbe on many of the chemicals responsible are in place, ozone levels will correct themselves naturally over

Governments should also cast a sceptical eye over recycling and renewable energy. Those two issues have become a moral crusade for the green movement. Yet their economics and even their environmental benefits are questionsble.

Arguably, the most overblown issue of all is preservation of biodiversity, the number and distribution of species, which was the snbject of Rio's second treaty. Maybe plants deep in tropical jungles contain hitherto unknown medicines. But the eensible response is to catalogue the species and preserve some of each, in a modern-day Noah's Ark.

Choices need to be made. If environmentalists insist that all things green are equally important, they are likely to lose their influence. If governments are distracted by items of minor importance from the campaigners' agenda, they will not be effective. Sound environmental policy requires clearly stated priorities.

This is the first of a series of editorials on environmental issues

Red tape

EXCESSIVE regulation imposes unseen costs on husiness that raise prices, stifle innovation and minister launched a crusade against the red tape that appears to he engulfing the UK. Six months on, little has yet been achieved, though some worthwhile initiatives were launched at yesterday's Downing Street seminar on deregulation.

Certainly if the list of deregulation measuree put forward by departments is anything to go by, Mr Major's crusade is flagging. Campaigners against growing red tape have more in their sights than allowing shops to stay open later or creating more "family pubs". The environment department's promise to repeal the Seal Fisheries Acts will not impress small businesses wrestling with the complexities of environmental legislation. As for the transport department, top of its list of deregulation measures is a green paper on regulating mini-cabs – hitherto unregulated. This is the traditional Whitehall epproach of selling departmental priorities under the guise of the latest prime ministerial initiative.

Some useful ground-clearing measures were agreed yesterday.

Around 400 regulations have been targeted for further scrutiny. A deregulation bill is promised for Future regulations will be tested for their impact on small buslnesses and whether their costs are commensurate with the benefits. There will also be encouragement for legislators to specify the outcome of actions rather than attempting to control the details

All of this is welcome, but whether it is successful in cutting through red tape will depend on bow it is implemented. The people who drew up yesterday's uncon-vincing lists of deregulation measures may not be the best people to entrust with this task. A report supervised by the Cabinet Office Efficiency Unit proposed a commission to give deregulation much greater clout. The government has sensibly rejected such a quango creating another hureaucracy to fight bureaucracy would be particularly inappropriate. But the deregulation drive needs a stronger push with the prime minister's active participation. A special Cabinet Office unit to co-ordinate action is called for, modelled on Sir Peter Levene's highly success ful Efficiency Unit.

of husiness processes.

t may seem ironic that Presit may seem front that Fresi-dent Bill Clinton has taken the lead in proposing an international "jobs summit" this autumn. Meny of hie Group of Seven colleagues would regard the current US unemployment rate as a mark of success rather than failure. In the recession, the US jobless

rate peaked at less than 8 per cent. It has already fallen to 7 per cent, well below the double-digit rates projected for much of the European Community. By EC standards, the US barely understands the meaning of the phrase "long-term unemployment": according to OECD figures, in 1991 (a recession year) only 6 per cent of the jobless in north America were out of work for 12 months or more, against nearly 50 per cent in the European Community.

The US's job creation record over the past two decades, meanwhile, is often cited as a classic Illustration of the virtues of flexible labour markets. in spite of temporary setbacks during recessions, non-farm employ ment has grown at a staggering pace: from 71m in 1971 to 110m this June, an increase of 55 per

No other large industrial country has come near to matching this per-formance. The US generated jobs twice as quickly as Japan over this period and more than five times as rapidly as leading European economies such as Germany, France and

And nearly all the job growth in the US was in the private sector. Until the mid-1980s, when private sector employment began to expand clowly, most European jobs were created by public-sector agencies and thus financed by higher taxes.

Yet the Clinton administration draws little comfort from this impressive record. Far from considering his own labour market as a paragon of virtue. Mr Clinton

The jobs miracle may be over

US employment hae barely increased in three years; Real wages have grown very slowly for two decades, raising doubts about the quality of jobs;

 Pay differentials are growing, leading to unprecedented inequality of family incomes. Behind these specific worries lies an inchoate fear; that increasingly fierce competition from east Asia and parts of Latin America is reducing the proportion of Americans

that can afford the trappings of a

"middle-class" lifestyle, such as a vacation home and college education for their children. The point was brought home in a recent speech by Mr Richard Gephardt, the Democratic leader in the House of Representatives. He recalled visiting a Sanyo plant in Tijnana, Mexico, which manufac-tures circuit boards for TV sets. The workers apparently achieved higher quality and productivity than their counterparts in Sanyo's Japanese or

US plants, yet earned only about \$1 an hour. The moral he drew was that \$1 an hour labour in countries such as Mexico or China "can equal or sur-pass our labour in simple or very complicated manufacturing tasks". In other words, in an intensification of the trends of the 1980s, foreign competition might drive down the

can factory workers.

Worries about the quantity - as opposed to the quality - of US jobs seem exaggerated. By the standards of past business cycles, jobs are admittedly heing created slowly during the present recovery: employment has only just surpassed the pre-recession peak reached in the summer of 1990. But many pundits forget that labour force growth has also slowed

down.
Provided wages can adjust, in a market economy there is usually a close relation between the growth of the labour force (the numbers seeking jobs) and growth of employment. Between 1971 and 1990 the US created far more jobs than any other industrial economy, largely because of unusually intense demographic pressures: the arrival in the workforce of the outsized "baby boom" generation, the shift of

No easy answers to job questions

Rising employment and wage flexibility have gone hand in hand in America's market economy, writes Michael Prowse

women into paid employment and substantial immigration – 6m people entered the US in the 1980s alone, the largest influx since the early years of the century.

The most striking difference between the US and Europe today is that few Americans fear severe structural unemployment. Most forecasters - including the Clinton administration - expect a cyclical economic recovery to reduce the unemployment rate to 5.5-6.0 per cent by 1996, which is not far above most estimates of "full employment".

in some respects such projections create a misleading impression. Jobless rates in the US tend to be below those in Europe partly because only about 60 per cent of the jobless qualify for unemployment insurance. Benefits are worth only about a third of previous earnings, compared with more like two-thirds in continental Europe. And they last only six months, except in recessions when temporary extensions are granted.

This means that many jobless Americans drift out of the labour market and are classified as "economically inactive" rather than unemployed. The Organisation for Economic Co-operation and Development has calculated "non-employ ment" rates (which consist of the officially jobless plus the inactive) that cast a less favourable light on US labour markets. During the 1980s, 12 per cent of men aged 25-54 were not in the formal labour market, compared with an average of just over 11 per cent in 16 large industrial countries. Withdrawal from the labour market is an especially severe problem for poor young men in inner

But if the availability of jobs (except in recessions) is often taken for granted, nearly all US pundits are preoccupied with two alleged manifestations of the low quality of much of the service-sector employment created in the 1990s: the slow pace of real wage growth and the rising inequality of family incomes. Since 1973, hourly compensation (wages plus fringe henefits) has increased by only about 11 per cent after allowing for inflation, or little more than 0.5 per cent a year, a far slower pace than in most other industrialised countries. The disap-pointing performance of real wages has to be seen, however, as a quid pro quo for the exceptional growth of employment since the early 1970s. in some ways it is surprising Nevertheless, the US is the only leading industrialised country

Real incomes of the richest 20 per cent of families rose 20 per cent, while those of the bottom 40 per cent were static

where many low-income workers

have experienced substantial real pay cuts. After adjusting for inflation, the hourly wages of men with 12 or fewer years of schooling fell about 20 per cent between 1979 and 1989. During the same period comparable workers in the UK experienced a 12 per cent increase in inflation-adjusted earnings.
According to a study by Mr Law-

North America Unemployment rates: US and EC OFCO projection \$16,000-\$50,000 High income More then \$50,000

US wages and employment: a fine balance

* Employment growth

rence Katz, chief economist at the world. So why has wage inequality US department of labour, and Mr risen faster in the US (and to a Richard Freeman of Harvard Uni- lesser extent Britain) than elseversity, the growing discrepancy skilled workers in the 1980s has contributed to levels of income inequality unprecedented in postwar US history and without parallel in other advanced economies. During the 1980s, the real incomes of the richest 20 per cent of families rose about 20 per cent while those of the bottom 40 per cent were static.

The UK was the only other country to experience a sharp rise in inequality. Katz and Freeman found no evidence of increasing wage Inequality in Germany or the Netherlands and only a slight increase in differentials in countries as diverse as France, Sweden, Japan and Australia.

Yet all industrialised countries have had to cope with the same structural changes, such as a secular shift in the composition of output from manufacturing to services and stiffer competition from lowwage producers in the developing

OBSERVER

ferences on the supply side of labour markets. in both the US and the UK, the rate of expansion of

Pay has grown more unequal even among employees with the same qualifications in the same industries

higher education slowed significantly in the 1930s as compared with the 1970s. So the rate of growth in the supply of highly edu-cated workers declined. Yet the relstive demand for bighly educated workers if anything grew faster, reflecting the export of low-skilled jobs to developing countries. in the US, the supply-demand

imbalance contributed to a sharp increase in the wage premium for college-educated workers. In countries such as Cermany and France, where the relative supply of highly where the relative supply discarded workers was better maintained in the 1980s, the pay of college-educated workers did not rise to anything like the same extent.

Katz and Freeman also note that the US and Britain saw a much

sharper contraction of union mem-bership than most other industrialised countries. In the US, where unionised workers enjoy wage rates 20-25 per cent above those in non-organised plants, the decline in union membership in the 1980s may have accounted for as much as a fifth of the total rise in wage inequality in

the decade. But this is not the whole story. In the US pay has grown more unequal even among employees with the same qualifications in the same industries subject to the same labour laws. For example, pay rates for lawyers vary more than they once did. This broader trend may reflect attempts by US companies to become more competitive by linking pay much more closely to individual performance, which is often only loosely related to formal qualifications and job titles. In most other countries, there are many formal and informal obstacles to such an individualistic approach: in effect the more productive are obliged to subsidise the less produc-

For many Europeans, US labour markets will seem an unattractive role model. Stagnant real wages, rising inequality and limited job security will strike many as a high perhaps unacceptable - price to pay for relatively low jobless rates. Many Americans are deeply troubled by such trends: Mr Clinton won last year's presidential election in large part by capitalising on the feelings of insecurity created by the Darwinian labour markets of

ie formula for restoring the "American dream" of steadily rising living standards for middleincome families involved heavy reliance on "social democratic" policies that in the EC are now increasingly seen as the cause of labour market rigidities. Mr Clinton signalled he would help low-income families by raising the minimum wage substantially and debated the merits of new payroll taxes to pay for social reforms, such as universal bealthcare and more extensive industrial training. His agenda also included giving workers a stronger "voice" in corporate decision-making, especially in the non-unionised

Yet as he learns more about the potential costs of interventionist labour market policies in the EC, Mr Clinton may find himself count ing the blessings of the US's more flexible system. If he borrows from Europe it will be in uncontroversial ways, for example by upgrading US vocational education, easing the school-to-work transition for non-academic students and improving "active labour market policies". such as counselling and retraining services for the unemployed.

But the EC can possibly learn a important lesson is that in a dynamic, open market economy, some sectors will always be in relative decline. There will thus always be downward pressure on the relative (and sometimes absolute) wages of some groups of workers. If these pressures are resisted indefinitely, it is bardly surprising if the result is an insupportable level of structural unemployment.

If there is a cure for pain inflicted

by low-wage competition from the likes of China and Mexico, it probably lies in a policy that all governments endorse yet on which few can show much tangible progress: improvements in the quality of education and training that raise the productivity of the workforce. But as the timescale involves decades rather than yeare, such improvements cannot be expected to serve as a substitute for greater wage flexibility.

Rough justice

WHEN THE history of Italy'e corruption scandals comes to be written, Gabriele Cagliari may occupy a special place. in apparently killing himself in a Milan jail, the former ENI chairman has shone a grim light on the magistrates' ever-expanding investigations into links between politics and business. What is exposed is scarcely a picture of justice. Caghari had been held for 133 days on a range of charges on which he could normally have expected bail. The magistrates are accused of trying to force him into self-incrimination. It is hard to escape the impression that what the Italian judiciary calls "preventive deten-tion" has become a eevere

infringement of citizens' rights. Hitherto, the widespread assumption has been that the vigorous means adopted by the mag-istrates were justified by the end: breaking the rotten system under which Italy has been governed for the last four decades. The question now is whether they have gone too far. To ask this is not to suggest systematic injustice: the people who have walked into the investigators' net are hy admission almost all guilty of misdemeanours from making illegal party contributions to extortion.

But the process still leaves an uncomfortable impression. It is being carried out amid a welter of press leaks that seem to presume guilt and offer suspects no public opportunity to defend themselves. Moreover, the magistrates' zeal in bringing accusations is not matched by an expeditious judicial system. Prosecutions can take 10 years to come to trial and, when they do, a staggering 75 per cent fail. At this rate, the courts will still be digesting current investigations long after many more of the culprits have died.

The problem - for the magis trates as much as for their suspects - is thet Italian justice is currently operating in a political vacoum. An entire system is on trial, not just a few hundred corrupt politicians and businessmen. and the current legislature is too discredited to come up with a workable political solution. This week's events merely reinforce the pressing need for fresh elections and comprehensive constitutional reform. But until a new parliament with such a mandate is in place, the judiciary will have to strike a more careful balance than it has of late between prosecuting the guilty and respecting the rights of the individual.

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Saab trolls for elks

■ Fingers crossed today that Keith Butler-Wheelhouse will turn up on time for the all-important launch of the new Saab 900 model. The genial Brit, who was brought in by part-owners General Motors last year to drive the beleaguered Swedish car maker out of the woods, admits to having got lost there himself last week. Turning up at work an uncharacteristic 45 minutes late, he explained that he and his dog on their morning run had strayed by 6kms through the forest near the company's bome town of Trollhättan.

The presence of Butler-Wheelhouse – who led the management buy-out of GM's South African operation eight years ago – and of the American John Fleming in the marketing role testifies to the concern at GM, 50 per cent owner with the Wallenberg family since 1989, thet Saab should finally turn the corner after four

years of deep losses. To this end and with its home market very much in mind, the new 900 was tested on its ability to withstand collisions with elks - a not infrequent occurrence on Swedish roads. Saah engineers insist that there is no safer car on the road when it comes to a head-on encounter with a large deer. But what ebout Saab's other cherished reputation - for oroducing the

world's greenest, as well as safest car? Don't worry, the engineers say. We used a dummy elk.

Gummed up

■ The government's assault on red tape, which yesterday yielded a mere 217 pages of report hy the "efficiency scrutiny team", was off to a bad start when ministers flatly rejected one of its key proposals - the creation of a national red tape quango.

Nor will the country's embattled small husinessmen be exactly cheered by John Gummer's selfless

proposals for tape-cutting at the Department of the Environment. Earmarked for immediate attention are several Seal Fishery Acts, which principally affect Canadian fisherman in the north Pacific.

PUS appeal

■ While Westminster ponders Maastricht, the Foreign Office is abuzz with the pithier little matter of who moves into the permanent undersecretary of state's gracious seat next August. Sir David Gillmore, whose rather

unusual path to the top of the diplomatic service included three years at Reuters as well as a spell teaching for the Inner London Education Authority in the late 1960s, has been in place since 1991. A highly popular hut unflashy PUS, he briefly leapt to the



'At least WE get a Social Chapter'

limelight last September administering the very public wigging of the former German ambassador amid the ERM turmoll. Gilimore doesn't turn 60 until August 1994, but the FCO hates to be rushed and four names are already in the air. Sir Robin Renwick, 55, the Britisb

amhassador credited with restoring relations after the saga of Clinton's passport during the presidential election, has been mentioned, as has Sir John Kerr, 51, permanent representative to the EC in Brussels. Sir Nigel Broomfield, 56, ambassador in Bonn, has the advantage of knowing Gillmore from Moscow in the early 1970s. And there is Sir John Weston, 55.

the UK permanent representative to Nato. Meanwhile Sir David Hannay,

the all-star permanent representative to the UN. is not thought a likely contender. The FCO is certainly keen to reward him for his time in New York but, at 58, he may be a shade too old. The current betting is on Weston Renwick will be left where he shines, in the field; and Kerr, who has done his best in the uphill task of keeping Britain at the heart of Europe for three years, is young enough to have another crack at the best joh in Whitehall.

Deaf ears

■ Radio buttons will soon be too hot to handle, into the franchise ring step Dame Shirley Porter, who quit politics and became chairman of LBC, and Charlie Cox, until recently LBC's managing director.

Yesterday, Cox turned up as managing director of The London Radio Company, which is bell-bent on ousting LBC from its frequencies.

So LBC promptly called its lawyers. It claimed that Cox, once the youngest manager of a large metropolitan radio station in Australia, and who resigned a week before LBC's application for new licences was delivered to the Radio Authority, had given legal undertakings not to do anything to belp any LBC competitor.

But Bert Hardy, chairman of The

Associated Newspapers, Reuters and Independent Television News, says Cox is only prevented from helping a rival until September. "He's off to Australia on holiday, says Hardy. It just so bappens thet the franchises will be awarded in September or October.

London Radio Company wbose

heavyweight investors include

Mirror image

■ S.G. Warburg, the government's global co-ordinator in the BT share sale, threw a party on Monday evening for its directors and advisers who bad worked on the float. At the end of the bash, the bank revealed the winner of its "Warren Beatty" award, which was to go to the director who had managed to get his name into the press - [there be goes again, Ed] - more often than anyone else. it was James Sassoon, recently to be heard saying how sick he was of talking to journos. Nor did he consider his prizes - a BT3 shirt and a mirror for his wall - to be much compensation for his labours

Bowled over

■ What is lan Botham planning for his cricket after-life? Perhans something at the garrulous end of the insurance industry? In an interview the great all-rounder described himself in fluent life office speak as "38 next hirthday".

FINANCIAL TIMES

Wednesday July 21 1993



Greenspan says US recovery has regained its momentum

THE US Federal Reserve is putting increased emphasis on real interest rates as a guide to monetary policy. Mr Alan Green-span, the Federal Reserve chairman, said yesterday in a gener-ally upbeat assessment of US economic trends.

He warned Congress, bowever, that financial markets were likely to react negatively and push up long-term rates if budget negotiations this month failed to achieve the Clinton administration's goal of \$500bn in deficit reduction over the next five

Mr Greenspan said the US economic recovery appeared to have regained momentum after a series of setbacks earlier in the year and predicted growth at an annual rate of close to 3 per cent in the second quarter, after only 0.7 per cent growth in the first



quarter. During the year as a whole the economy was likely to grow by about 2.5 per cent, he

Delivering his twice yearly tes-timony on Capitol Hill, Mr Green-

income and prices had largely broken down, depriving the monetary aggregates of their usefulness as guides to policy.

The Fed had thus decided to put increased weight on the level of real interest rates as a monetary guidepost because of their key bearing on longer-run spending decisions and inflation prospects

It was important to prevent real rates moving too far from a long-term "equilibrium rate" – the rate consistent with steady non-inflationary growth. If interest rates were held below this level for too long, inflationary pressures would grow, leading eventually to another economic contraction, be warned.

In a strong hint that the next move in short-term rates would be up, Mr Greenspan noted that neighbourhood of zero" for nine

jobs "offer only sub-standard employment and income secu-

rity". It found that 20 to 30 per

cent of part-time workers would

prefer a full-time job and 60 to 80

per cent of temporary workers

were seeking full-time jobs in

The report said it was difficult

for countries with high job turn-

over to copy the special relation-

ship between worker and com-pany found in parts of the

The 1980s saw little change in

job tenures with some strength-

ening in Japan and some weaken-

ing in the Netherlands and Spain.

An analysis of 13 OECD countries

put average job tenure at 8.7

years with the US lowest at 6.7

years and Japan highest at 10.9

OECD criticises 'hire and fire'

some European countries.

Japanese workforce.

span said the relationships months. Long-term real rates, between money and national over which the Fed had little control, were appreciably higher, indicating that financial markets expected a rise in short rates.

Mr Greenspan said the Fed had revised down its growth forecasts to a "central tendency" of 2.25-2.5 per cent this year compared with a projection of 3-3-25 per cent in February.

The Fed has also grown more pessimistic on inflation, follow-ing sharp price increases early in the year. The latest forecast is for an increase in the consumer price index of 3-3.25 per cent this year against a projection of 2.5-2.75 per cent in February.

Mr Greenspan warned that the Clinton deficit reduction package represented only a first step towards fiscal consolidation. "We are going to have to take another shot at the deficit," he said, because the underlying rate of growth of spending remained

OECD links short-term job tenure to inadequate training

By David Goodhart, Labour ditor, in London

COUNTRIES with the highest levels of job mobility are generally failing to provide adequate training, according to the OECD's annual report on employment published yesterday.

The Paris-based OECD secretariat, a think-tank of 24 industrial nations, warns in its report that deregulation of the labour market can conflict with the goal of a well-trained, well-paid and stable workforce.

The report, which makes veiled criticism of labour market developments in the UK and the US in the 1980s, appears to reflect the influence of the Clinton administration in Washington.

"It seems clear that the major asset of OECD countries is the quality of their labour," Mr Tom Alexander, a senior economist at the OECD, told a news conference yesterday. "It is important that quality is consistently reinforced and renewed."

Young people in France, Germany and Japan, where employment stability was greater, were more likely to receive formal training than their counterparts in the US which had a relatively high job turnover, the report said. In both France and the US. industries where workers stayed with one employer for a relatively long time were shown to

The report added that the US experience of strong employment growth combined with a fall in real wages for the lowest-paid workers "has given rise to con-cerns" that jobs could be bought only at wages which created a class of working poor.

The OECD also expressed concern about the strong rise in part-time and temporary work. especially in Europe, where some

court rules against VW

Continued from Page 1

One key to the court's decision lay in evidence presented last week by Mr John Howell, director of husiness planning at GM Europe, who "specifically remembered" giving Mr Lopez a sheaf of 100-150 documents on March 8, one day before Mr Lopez

announced his departure.

According to GM, searches of offices vacated by Mr Lopez and colleagues have failed to turn up any of the secret documents labour markets. Page 4 which the US group claims they No easy answers. Page 11 had before they left for Germany.

Hamburg

which "give the impression or allow the impression to be drawn that Mr Lopez and colleagues who changed to VW with him took with them any secret GM or Opel documents and delivered

The documents contained details of new Opel car models, including a top secret mini, the

THE LEX COLUMN

SB's patent cure

Drugs prices can go down as well as up. The prices charged by SmithKline Beecham to hig buyers of managed healthcare in the US were 5 to 10 per cent lower in the first half of this year than last. Since the company expects such bulk bnyers to account for a rising proportion of sales, price deflation has further to run even without government intervention. Drugs prices have fallen this year in Germany and Italy as a result of government reforms. The chances are that similar. measures will follow elsewhere in

All credit to SmithKline Beecham, then, for increasing pharmaceutical sales in both the US and Europe. But not all drugs companies have been blessed with a stable of promising new products at such a critical moment. Self-help will be required elsewhere to protect margins and keep earnings on a rising trend. The \$775m restructuring charge taken by Merck yesterday. and cuts announced by Marion Merrill Dow last week, will not be the last. Having been through the pain of merger. SB may have less fat to cut. If a handful of big buyers soon account for the lion's share of its US sales, though, its 2,000-strong US sales force

will look extravagant. The expiry next year of the US patent on Tagamet, SB's big-selling ulcer treatment, will be a test. But the impact on earnings should be offset by a timely currency gain. There is also the promise of an over-the-counter version of Tagamet. Judging by the performance of the shares during the great de-rating of the sector, the market now regards SB's consumer marketing expertise as a useful spread of

House of Fraser

A new chapter will soon be written in House of Fraser's colourful history. Sadly, it may prove rather dull after what has gone before. Next year, the company should return to being a respectable listed company with assets of some £250m and sales of £700m. By then, the whiff of cordite from the infamous Rowland-Fayed fend may bave fully blown away. There is little doubt the flotation reflects the financial pressure on the Fayeds, however much they may care to window dress the sale. Despite this year's refinancing, the brothers are still saddled with a mountainous hurden of debt.

That said. House of Fraser has hardly been starved of investment in

FT-SE Index: 2823.9 (-19.0) SmithKline Beechard Share price relative to Glasso share price

not appear to have been subject to the fanciful whims of its propriators. Ahead of the flotation, House of Fraser will be run as an independent company but will face a stiff challenge overcoming historical prejudice. The pukka presence of Warburg as sponsor reassures. The surprisingly swift re-emergence of Mr Brian McGowan on the corporate scene as chairman repre-

sents another plus. Fishing, it seems

has only limited attractions after all. A price of £350m-£550m should be attainable from the flotation although this depends on how much deht House of Fraser carries. The toughest task for management, though, may be persuading investors the company has much growth poten-tial after five years of flat sales and thin profits. Department stores have long been viewed as the dinosaurs of the high street. Yet, Nordstrom in the US has shown there is life in the concept. House of Fraser has now to show it can be as nimble too. .

Allied-Lyons/Eldridge

The deal between Allied-Lyons and Eldridge Pope neatly illustrates the dilemma facing regional brewers in the UK. Eldridge needs the marketing muscle of a large brewer such as Allied-Lyons to promote its cask ales nationally. Without that or some similar arrangement it would not make much sense to stay in brewing. But in return it is having to open up its retail network to Carlsberg and Castlemaine lagers, giving Allied's new Carlsberg-Tetley venture a toe-hold in a region where it is under-represented. Eventu-ally that could extend to Allied's ales recent years. Unlike Harrods, it does as well. The prospect of such addi-

tional volume serves to make more sense of Allied's Carlsberg alliance.

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The benefits do not, of course, accrue to just one side. Carlsberg Tetley will have to compete on price to attract the lager drinkers - they surely cannot be louts - of Bourne mouth and Christchurch. Eldridge Pope will receive £6m to invest in its retail estate as well as some additional contract brewing. In the long run, though, it is difficult to see the arrangement as a panacea. Eldridge's hest hope lies in retailing, not in struggling to remain in brewing its Thomas Hardy and Royal Oak hitties will be guest ales under Allied's wing. There is a surplus of brands as well as brewing capacity in the beer market Some will not survive.

UK economy

After last week's good news on industrial production and unemploy ment, the deceleration of M4 money supply growth is disconcerting. But the slippage may not be as serious fir recovery as it looks. It reflects a shift in corporate financing habits, whereby bank debt is being securitised through the issue of new equity capital or fixed-rate bonds. June alone saw companies raising some £3.5hn in the equity market, thanks partly to the flurry of rights issues from the prop-

Such halance sheet restructuring bodes well for future activity, especially since consumers show signs of being prepared to borrow again: witness the strong rise in new building society mortgages. The recovery may not be running away with itself, but it is not exactly faltering either.

Philip Morris

The noxious smoke which Philip Morris blew over other consumer products companies when it first cut the price of Marlboro cigarettes grew thicker yesterday. Its decision to make the price cuts permanent provoked fresh fears about brand values.

The UK market, though appears to have particular trouble peering through the smog. It knocked the shares of both Unilever and Cadbury Schweppes, which are in wbolly unre-lated businesses, while leaving those of tobacco giant, BAT Industries, untouched. This may owe something to Philip Morris's simultaneous deci sion to raise the price of its discount clgarettes. The market's reaction seems perverse nonetheless.

Sell-off minister says double blow to programme will hurt millions

Russian parliament blocks privatisation

FT WORLD WEATHER

THE Russian parliament delivered a double blow to the government's privatisation programme yesterday, by suspending a presidential decree which is central to the process and annulling a parliamentary law on the sale of state companies

Mr Anatoli Chubais, privatisation minister, said the action would "deal a blow to millions of people involved in [privatisa-

The presidential decree, issued in May, made it compulsory for all state companies to sell a minithe privatisation vouchers issued to all Russian citizens but was opposed by factory directors, loath to cede control.

Mr Chubais predicted the parliament's ruling could hurt investor confidence in the voucbers and precipitate a drop in their

small-scale privatisation to be completed by August 1, a clause as one of the most important catalysts in the highly successful

arm of the World Bank which has advised the Russian government on privatisation, said: "This will an excuse for vast regions of Russia to stop privatising.

erty committee

bility for the privatisation pro-

cess from the liberal state prop-

vative sectoral ministries.

"This is another revanchist

By suspending part of its own The decree also required all legislation on privatisation, the parliament transferred responsi-

that western advisers described small-scale privatisation process.

HIGH

By Chrystia Freeland and Dmitry
Volkov in Mnscow

mum 29 per cent stake at auctions when going private. The tant at the International Finance destroy the reform It dislikes Chubais, who stormed out of the hall in protest

Mr Chubais, who has spearheaded the sell-off of Russian state assets in defiance of a hostile parliament, said that he About 51,000, between half and a third of all Russia's small-scale would find a way round the roadenterprises, have been privatised. blocks as in the past.

"We knew such a move was possible and we have prepared a plan which will allow us to continus the privatisation process,

Climate of reform brings rouble back from the dead, Page 2

Without us, less crude would get refined.

Downtime is an expensive business for the nil industry, costing companies as much as \$2.3 million a year. The wet-sealing system on compressors at a refinery in Mexico, for example, was a regular money-loser. John Crane's unique, patented dry-running gas seal technology solved the problem.

Their Type 28 seal rotates at high speed, depending on an ultra-thin gas cushion 3 microns deep - that's 1/20th the thickness of a human hair — to separate its fixed and moving parts. With no mechanical contact, it needs no lubrication. Thanks to John Crane, oil companies are no longer at a loss.

John Crane is one of TI Group's three specialised engineering businesses, the others being Dowty and Bundy Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.



Europe today

of two low pressure areas located over southern Scandinavia will causa concentrated cloud and numerous showers in the southern and the Alps. The air will be cool with afternoon temperatures staying below 20C. In Finland, it will be slightly warmer. In the eastern Balkan States and further east, it will remain very warm, with some thunder showers. Over the British Isles, there will be mainly dry conditions with a few sunny spells, especially in the east. However, in Scotland a few showers will occur. A new disturbance from the west will cause drizzle in western Ireland and in the south-west of England later.

in the north-western part of Europe, a complex

Five-day forecast

By Thursday, the warmer air over the eastern part of Europe will be pushed further eastward and several thunder showers will cross Greece, the eastern Balkans, and weste Russia where afternoon temperatures will drop 5C-10C degrees, in northern and western Europe, it will remain very cool and unsettled Mediterranean, high temperatures and abundant sunshine will persist.

Latest technology in flying: the A340

Lufthansa

shower thund shower cloudy fair fair sun fair

fair sun fair feir cloudy rain fair fair naryothi Rekjavik Riyadi Rome S' Francis Seoul Singaport Stockhok Strasbour Sydney Tel Auty Tokyo Torento 34 23 23 21 25 22 22 33 13 25 18 Tunis Vancouve

un en Hance

Efim creditors await vote on legal action

Foreign bank creditors of Italy's Efim state holding company should know next week whether a major company should know next week whether a majority has voted for legal action against the company, and, possibly, the Italian government. Foreign bank creditors provided about L3,500bn (\$2,2bn) of Efim's total borrowings of around L8,800bn to financial institutions. Efim entered voluntary liquidations legal 14. tion last year. Page 14

Siemens nudges ahead

Net profits at Siemens, Germany'e biggest electricals and electronics group, rose 1 per cent to DM1.32bn (\$774m) in the first nine months of the year to the and of June. Page 14

Merck to cut 2,100 jobs

Merck, the world's biggest drugs group, is to cut 2,100 jobs by the end of the year, about 1,000 more than previously announced. It took a pre-tax \$775m second quarter charge to cover the redundancies and other cost-cutting. Page 15

NZ Raii faces flotation

A US-New Zeeland consortium has paid NZ\$328m (US\$179m) for New Zealand Hail. It plans eventually to float as much as 40 per cent of the company on the local stock market. Page 16

Alliance to boost beer

Carlsberg-Tetley and Eldridge Pope are forming e trading alliance to widen distribution and boost market share of their beer brands. Page 20; Lex.

Marling cuts its losses

Marling Industries reduced its pre-tax losses from £27.9m to £9.6m (\$14.5m) in the year to March 31. The group plans to refocus on its core activities of safety belt webbing and industrial textiles. Page 21

Opec urged to halt price fall The world oil market looked to Opec for action this week to halt the collapse in prices caused by expectations of Iraq's return to the export market.



Several large Indian companies are entering the lucrative market of producing aquaculture such as shrimps, encouraged by the government to increase exports. Page 22

Spain awaits government signals Spain's Bolsa is looking for government signals possible fluctuations in the value of the peseta. Until it is certain of reading such messages cor-rectly, its watchword is caution. Back Page

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	, ,,,,

KLM 21 KPN Land Securities Malaya Marine Midland Maring Inds Matthew Clark Mellon Bank Monsanto NZ Rali National Powe NationsBank News Corporation PepsiCo Philip Morris-Prospect Inds Reliance Security Sears, Roebuck Siemens Smithkline Beec Elonex Fnac St Andrew Trust Telstra Guangzhou Shipyaro Warner-Lembert

Chief price changes yesterday

	Rises				Risee			
	Cologia Knan Pf	785	+	28	Fonc Lyonneise	661	+	15
	Holzmann Ph	994	+	25	Parts Research	386.7	+	12.7
	karstadt	577	+	17	raffs			
	Rhefrelektra	1110	÷	45	Letarge Coppes	394.8	-	11.3
	Verein-West	361	÷	7	Michelin B	168.5	-	6.1
	Palls	301	•	•	Paugast	616	-	15
	Volkswapen Pri	286	_	6	Vallourec	194.6	-	4.1
	NEW YORK		_	•	TOKYO (Yes)			
	Rives	•			Rises			
	Apple	27%	_	176		584	+	16
	BMC Software	55%		5	Nagosaldyn	985	+	35
	Howlett Packard	75%		2%		952	+	37
	Merck	33%		134				
	Sears Rostrock	50%		416	Alcohono Braice	580	-	21
	Falls	UUM	•		Hazzaene, Corp	457	-	19
	BM	42%	_	*	Kvotara.	940	-	40
		-		-	.,.			
1	New York pric	es et 1	2:30					
	LONDON (Per	100				472	_	12
	Rises			_	Bass		_	
	Bridport Gandry	85	+	.4	Brit Aerospace	400	-	18
1	Cossit	105	+	11	Central Motor	131	-	9
1	Courts Casadsh	197	*	72	Haamoceli	145	-	6
١	Northern Elect	523	+	13	Laporte	578	_	17
Į	Statis	55	+	3		21%	_	2
1	Transationale	321	+	26	Marling Inda	-14	_	

Philip Morris

Fraser

set for

By Neil Buckley and

Roland Rudd

the market

THE FAYED brothers yesterday

announced plans for the flota-tion of the House of Fraser

department store chain next year

excluding the Harrods flag-

The brothers believe the flota-

tion of the 59-store chain will

enable them to pay off their

dehts while allowing them to

keep Harrods, always seen as the

main object of their takeover of

House of Fraser. They acquired the group for around £600m in

1985 after a battle with Lonrho,

House of Fraser said the

Fayeds had been advised by SG Warburg, their advisers, that a

flotation was in the best interests of the chain and of the

brothers. The group had not

ruled ont the possibility of a

trade sale, but "we are not anticipating that".

Warburg is thought to have valued the stores at more than

£500m, although analysts

expressed scepticism at this.

Mr Ali Fayed stepped down as

chairman of the stores chain yes-

terday and will be replaced by Mr Brian McGowan, former chief

executive of Williams Holdings.

early summer next year. The

Fayeds will retain no stake in

the stores and their holding com-

pany name will be changed.
As well as Harrods, the

brothers will retain control of

Turnbull and Asser, the

upmarket shirtmaker, the Kurt

Geiger shoe chain, the Barkers

shops and office complex in Kensington, the Carlton Highland Hotel in Edinburgh, and the Har

stores in April is believed to

have failed because the manage

ment was unable to raise the

In the same month, the Fayeds

sold their 10.6 per cent stake in

the Sears retailing group, rous-ing speculation that the group

was in financial difficulties with

debts of about £650m. House of

Fraser group denied yesterday

the Fayeds were under financial

Mr McGowan to take up the non-

executive chairmanship a month

after the bank had satisfied itself

that the stores were a good can-

didate for flotation.

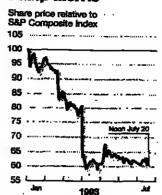
House of Fraser, Page 19

rods depository in London. A management buy-out of the

£320m asking price.

The flotation is expec

the conglomerate.



PHILIP MORRIS, the US food and tohacco group, yesterday announced a 22 per cent drop in secood-quarter net earnings as its US cigarette profits slumped following April's sharp cut in the price of its Marlboro hrand.

Net earnings were \$1.1bn, or \$1.20 a share, down from \$1.35bn, or \$1.48 e shere, in the same period of last year on revenues which rose 4.2 per cent to

Mr Michael Miles, chairman, said thet the group's consumer businesses other than US tobacco were continuing to enjoy solid profits, up 13.3 per cent for the

querter. The company's announcement on April 2 that it would not make any US premium brand cigarette price increases, and was cutting the price of Marlboro, led to a eignificant reduction in wholesale invento-

This in turn meant e 21.5 per cent decline in second-quarter US cigarette volume to 47.5bo units Philip Morris said that primarily due to this reduced volume, and increased marketing expenses associated with the price cuts. second-quarter operating income for domestic tobacco was down 53.1 per cent at \$684m.

However, market share growth in both the premium segment,

discount sales means Philip Mor-ris' total retail share of the US bacco market reached a record

43.6 per ceot in the quarter. The new pricing strategy for premium products, together with improved prices on discount products, "allow for future profits growth off the newly established base", the company maintained.
Its intercational tobecco operations saw operating income

rise 15.6 per cent to \$577m on revenues 25 per cent ahead at Marlboro's international sales

volume continued to grow strongly, rising 2.2 per cent to

operations had operating income 9.9 per cent higher at \$667m, while revenues rose 1.6 per cent to \$5.4bn. international food produced income of \$269m, up 13 per cent, oo reveoues 19.9 per cent ahead at \$2.5bn, due primarily to acquisitions and growth in confectionery, partly offset hy cur-rency movements.

Its Miller brewing company made \$140m. up 21.7 per cent, on revenues 1.1 per cent higher at

For the half-year, the group reported net earnings of \$2.27bn. or \$2.58 a share, compared with \$2.45bn, or \$2.68 a share, in 1992.

Citicorp boosted by loan quality

A SHARP drop in write-offs oo property and commercial loans and a fall in loan-loss provisions fuelled a profits recovery at Citi-corp, the US's largest banking group, in the second three months of the year.

The group's results echoed the improvement in credit quality reported by other US banks in recent days, due to firmer prop-erty prices and the first clear signs that the patchy US eco-nomic recovery is feeding through to banks' customers.

Record income from trading in the foreign exchange and securi-ties markets also lifted Citicorp's after tax profits, which reached \$446m, up from \$143m in the

same period in 1992. Write-offs on property and com-mercial loans at the hanking group fell to \$297m, down from 380m in the first quarter and well below the peak of \$792m in the last quarter of 1991.

Lower losses on north American commercial property were behind the improvement; credit losses dropped from \$527m in the second quarter of 1992 to \$251m. With the current level of interest rates, money is coming back into real estate because yields are so high," Mr Bill Rhodes, deputy chairman, said. Provisions for commercial and property loan losses made during the quarter were \$273m, down from \$583m a year before.

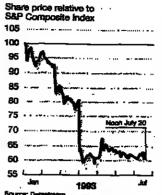
Income from trading in financial markets soared to \$572m, from \$314m a year earlier, topping the quarterly record for a US hank set by JP Morgan only a week ago with \$431m. Some \$352m (up from \$193m) came from foreign exchange.

Leaving aside the lower credit charges and gains from trading, profits remained sluggish, contri-buting to a \$\cdots\$ decline in the group's share price to \$31% by midday. Mr John Reed, chairman, said revenue growth had been beld back by "troubled economies in the developed world", but that developing countries had grown strongly.

Earnings per share in the second quarter reached 52 cents, up from 25 cents. For the first half net income was \$1.1bn, or \$2.06 a share, compared with \$325m, or \$0.61 a share, in the first six months of 1992, after an accounting change. The group's key tier one capital ratio, one of the lowest among hig US money-centre banks, rose to 5.7 per cent from 5.3 per cent at the end of March. Roland Rudd US bank results, Page 15

May 1003

Price war wounds Philip Morris



Flotation is designed to allow Fayed brothers to cut debts but keep Harrods

House of Fisherman rises for the big float

or a man who was looking forward to speeding his time fishing, it appears to be an odd appointment. Mr Brian McGowan's chairmanship of the House of Fraser Stores may be non-executive, but as he con-ceded yesterdey, his rod mey have to stay at home for longer than he originally planned.

The idea of working oo a flota-

tion, which he regards as "meat and drink", was too enticing to turn down after the disappointment of not pulling off any big deal at Williams Holdings for several years. Mr McGowan does not officially step down as chief executive from the industrial conglomerate until the end of the year, although he has passed on most of his duties to his successor Mr Roger Carr.

Mr McGowan says be is aware, however, that accepting the chair of the House of Fraser Stores was not without its risks. While the HoF is to he kept a separate autonomous husiness there is always the possibility that Mr McGowan's Image could be tainted by working for the Fayed brothers.

The takeover of the House of Fraser by the Egyptian brothers was one of the most controversial in UK corporate history. They were able to mount their bld when Lonrho, the international conglomerate, sold its 29.9 per cent stake in the HoF to the Fayeds for £138.3m (\$207m) in

Mr Tiny Rowland, Lonrho's chief executive, believed initially he could work with the Faved: He had sold them the HoF stake because Lonrho had heen twarted in its hostile bid for Harrods and its parent House of Fraser in 1981 when the Monopolies and Merg-

HOUSE OF FRASER (excluding flarrods)

Year- end Jan 31	Sales (Em)	Operating profit (Em)	Pre-teix profit (Em)
1991	698	46.5	30.5
1992	668	21.5	18.4
1993	695	36.8	. 32.8

ers Commission ruled it to be against the public interest. Subsequeotly, Mr Rowland feli out with Fayeds, left the HoF board and Lonrho bought a new 6 per cent holding in HoP. In March 1985 the Fayeds bid ebout £600m for HoF and Lonrho sold lts HoF shares in the market, which were hought by the

pressure. They had arranged a refinancing in April.

Before taking the joh, Mr
McGowan insisted he should be Mr Norman Tehhit, the then Secretary of State for Trade, dropped the 1981 bar on the Lonahle to resign without giving notice to the Fayeds. "That prerho bid - three days after the serves my independence."
Mr Derek Higgs, managing Feyeds gained control. He decided not to refer the deal to director of SG Warhurg, asked Monopolies and Mergers Commis-

> But the brothers were publicly censured, first by the Department of Trade and Industry and then last year by the Takeover Panel. The panel sald statements made by the Fayeds during the

takeover may have created a misleading impression of their ahility to finance the takeover.

The takeover has been the focus of a long-running legal bat-tle between the Fayeds and Mr Rowland, who has ferociously announcement and the flotation." pursued a campaign against the hrothers. Lonrbo still has pending an ection against the Fayeds

claiming damages.
Mr Mohammed Fayed and Mr

hy Warhurg [advisers to the stores group] to become chairman of the House of Fraser, I had, like most people, a number of preconceived, ill-informed ideas of the Fayeds, most of which turned out to be wrong." He now describes them as

"absolutely charming". But as far as Mr McGowan is concerned, the history of the Fayeds is irrelevant to the impending flotation of the stores which he says are being kept completely independent from the brothers. The Fayeds will have no representatives on the board and "no influence whatsoever". If they try to exert any influence over the husiness Mr McGowan says he will resign.



Gone fishing? Not any longer. Brian McGowan was lured out of retirement by the prospect of a flotation which time trading figures for 1993 will be available.

He nevertheless admits: "One

He says he was delighted to

find out that the Fayeds invested

£100m in the stores over the past

five years and has satisfied him-

self that there is "no black hole".

until late spring or summer next

year to put its message across, by

House of Fraser has given itself

cannot deny that there is in some

quarters a credibility problem. That is one of the reasons for the

ning of the company.

Ali Fayed, his brother, dismissed the panel conclusions as "a minor matter" based on the critical report by Department of

Trade inspectors.

But Mr McGowan accepts that It was more unwelcome publicity which contributed to the poor image of the hrothers, which he believes in the main to be unfair. When I was first approached

However, after getting to know the Fayeds, Mr McGowan is confident that they will not change their mind over the planned flotation or try to influence his run-

This advertisement appears as a matter of record only

harmful.

\$ 272,700,000 Management Buy-In

An adviser to the Fayeds said:

"The two brothers know that

they cannot try and change the

terms of Mr McGowan's contract in any way, Mr McGowan does

not have to give any notice if he

decides to resign. The brothers

know that if Mr McGowan were

to resign and take up fishing

again it would be enormously

of the Consumer Products Division of BP Nutrition, comprising

the Robert McBride Group Limited (UK), the Ypion Group (Belgium and France) and Solaro (Italy)

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SmithKline Beecham rises 18%

By Paul Abrahams in London

SMITHKLINE Beecham, the Anglo-US healthcare group, reported an 18 per cent rise in pre-tax profits for the three months to June 30 to £294m (\$443m), from £249m the previous

Turnover in the second quarter increased 19 per cent from £1.26bn to £1.51bn and the results were flattered by currency gains. Excluding exchange, sales of continuing operations rose 8 per cent

and trading profits 10 per cent. The company made an exceptional profit of £37m on the sale of its hair care products to Wella. The profit from the \$320m disposal of its personal care brands to Sara Lee and a provision for the restructuring of the remaining consumer brands will he made in the third quarter.

The pharmaceuticals divisioo reported a 13 per cent rise in trading profits £157m to £177m on sales up 22 per cent to £834m. However, at constant exchange rates sales and trading profits were only 7 per cent and 11 per cent higher. SB said the secood quarter last year had been particularly strong.

Sales of SB's new products, Paxil, Kytril, Relafen and and Havrix, fell between the first and second quarter this year from £107m to £96m. The company hlamed inventory destocking in the US after the launch of Paxil earlier this year.

Drugs sales in Europe rose only 1 per cent. Growth in the UK and France only partly offset steep declines of 9 per cent and 18 per cent in Germany and italy, following healthcare reforms.

tive, warned that the healthcare market was becoming more difficult to forecast and the long-term impact of the challenging eco-nomic and regulatory environ-Animal health trading profits

increased 22 per ceot from £9m to £11m on sales up 21 per cent from £76m to £91m. At constant exchange rates sales and trading profits were rose 6 per cent and 20 per cent. Consumer hrands operating profits rose 4 per cent from £34m to £36m, on turnover up 20 per cent. Excluding currency exchange, sales increased 9 per cent and profits were flat. Trading profits at clinical laboratories rose 19 per cent to £22m.

A second quarter dividend was declared of 2.533p per A share, 4.756 cents per equity unit and 23.78 cents per equity unit ADR. Lex, Page 12; Details, Page 19 Mr Bob Bauman, chief execuBy Haig Simonian in Milan

FOREIGN bank creditors of Italy's Efim state holding company should know next week whether a majority has voted for legal action against the company, and, possibly, the

The vote followed a tense 31/2bour meeting of foreign bank creditors in London last week at which bankers were asked to consider various options, including legal action.

The increesed tension

between foreign bank creditors, which provided ehout L3.500bn (\$2.2bn) of Efim e total borrowings of about L8,800bo to financial institutions, follows mounting dissatisfaction among creditor banks at the failure to receive initial renavments, a year after Efim was put into voluntary liquida-

Shortly before initial repayments were due at the end of April, a representative of Mr Alberto Predieri, the special edministrator running Efim, said the situation would be frozen until e dispute over swap contracts undertaken hy Efim

By Ronald van de Krol

a minority stake.

KLM Royal Dutch Airlines said

yesterday all its flights to the US from Amsterdam would

operate es code-sharing ser-

vices with Northwest Airlines.

the US carrier in which it owns

begin in late September and will cover all 11 KLM destina-

SKODA Pilsen, one of the

largest industrial corporations

in the Czech Republic, plans a

joint venture agreement with

Siemens, the German engineer-

ing company, according to

Czech news reports, Renter

reports from Prague.

The joint flights are due to

The issue has since been overshadowed by the European Commission's refusal to approve the Italian government's repayment plans.

exchange and interest rate ele-

ments, affected Efim's finances

because of last year's lira

devaluation. Details of the

transaction have not been

revealed. However, termina-

tion has increased Efim's for-

elgn exposure in lira

terms.
"I don't think the sums we

are talking about are at all

large in comparison with the

principal and interest due on

Efim's debts," said Mr John

Reffell, e banker at Chase Man-

hattan in London, who is chair-ing the activities of the group

of agent banks involved in

"It's a question of principle

that's involved. You can't just

demand that a swap be rein-

stated. That goes completely

against market practice. The

issue et etake is much broader

Bankers also argue the

"The banks involved in the

loans are independent of the

bank doing the swap. More-

over, the latter didn't necessar-

ily swap the whole amount."

gers to transfer to KLM flights,

The move was part of efforts

to create a single, global route

Since the start of the sum-

mer season, the airlines have

experimented with code shar-

ing on flights to Minneapolis/St

Paul, Detroit and Boston. The

eight other cities that will be

added are New York, Chicago, Washington, Atlanta, Orlando,

Houston, Los Angeles and San

companies agreed on capital

participation and a few details

needed to be settled before an

agreement on co-production of

steam engines could go ahead.

company was in discussions

with Skoda about turbines.

Siemens confirmed that the

network, the airlines said.

and vice versa.

swaps were contracted inde-

pendently of the loans.

Efim'e foreign loans.

than just Efim."

However, one banker involved said: "Even if the Commission gives its approval tomorrow, the Italians will not pay us back until the swaps are sorted out." The dispute has incensed for-

eign bank creditors and raised a serious point of principle. Although only one transaction is involved, bankers are

trying to reconstruct whether other transactions may be at Last October, Bankers Trust

terminated a swap contracted by Esim on the grounds of default. The previous month, it had informed Mr Predieri and the

Italian Treasury that the condi-

tions of the swap were not being respected, and that it could be terminated. The matter remained unnoticed until April, when officials from Mr Predieri's office told

bankers no repayments would be made until the issue of the swap was resolved. Terminating the swap,

airlines will fly their existing rontes between the US and

Amsterdam under a new dual

flight number based on the old

Northwest and the old KLM

code. "By operating through

joint ventures, the airlines can

present their combined product

through a central reservation

system, optimising service to

The use of a single flight

customers," the airlines said.

number combining both air-

encourage Northwest passen-

Skoda Pilsen plans turbine venture

Hospodarske Noviny, the

economic newspaper, quoted

Mr Lubomir Soudek, a Skoda

director, as saying details of

the deal would be announced

after a preliminary agreement

According to Mr Soudek, the

was signed in Pilsen today.

lines' codes is designed to

KLM, Northwest flights deal

Marginal rise for Siemens at nine months

By David Waller in Frankfurt

NET profits at Siemens, Germany's biggest electrical and electronics group, rose by 1 per cent to DM1.32bn (\$776m) in the first nine months of the financial year to the end of June.

Siemens said business had heen "robust" in the nine months against the background of e weak world economy. Group turnover climbed by 2 per cent to DM55.8hn while order intake fell back by 5 per cent to DM59.9bn.

Business outside Germany compensated for a downturn in the domestic market. Turnover in Germany dropped 3 per cent but abroad rose 8 per

Although the pattern was repeated with new orders, where there was a 12 per cent drop in Germany offset by a 2 per cent increase abroad, Siemens said this was not to be taken as a sign of a worldwide recovery.

The company seld the growth in orders ontside Germany was due to a number of large projects in plant-huilding and systems, rather than economic recovery.

The strong expansion in infrastructure business which had lasted for the past three years - bad reached a plateau, albeit at a high level, Siemens said. Business with industrial customers bad weakened further, whereas there had been an increase in transportation and energy production systems. Together with construction-related products, these had been the areas of most substantial growth in turnover.

In common with other large German companies, Siemens has moved to cut staff numbers in a hid to reduce costs. At the end of June, the group employed 401,000 people worldwide, down from 413,000 et the beginning of the financial year. Despite this 3 per cent staff reduction, personnel costs rose by 6 per cent to DM26.3bn. Investments totalled DM4.7bn, down from DM6hn in the comparable period last year.

Ronald van de Krol looks at the disposal of the Dutch telecoms group ith the third tranche of the privatisation of British Talesco completed the next event in the world calendar of telecommunications privatisations is

Koninklijke PTT Nederland The sale of the Dutch PTT, widely expected to take place in the first half of 1994, probably in the spring, is likely to produce firsts at home and

likely to be the flotation of

abroad. The company, which analysts say is worth between Fl 16bn (\$8.4bn) and Fl 22bn. will be sold in stages, with next year's tranche likely to be the Netherlands' biggest privatisation and the first of a bousehold name. The Dutch government has said that it is prepared to sell two-thirds of

the company. The KPN flotation will mark the first time that a national government in Europe has opened up its postal operations to outside investors. Fortunately for the Dutch state, which is seeking the highest possible price for its ehares, KPN's postal subsidiary, PTT Post, is one of only two postal services in Europe that make a profit. The other is the British

Post Office. Although the inclusion of the Netherlands' postal operations in the flotation is unfamiliar to most investors it is not expected to drag down the price at which KPN is floated. This is partly because PTT Post contributes just under 20 per cent of profits compared with 80 per cent by PTT Telecom, the telecommnnications arm which is more directly comparable with other privatised telecommunications

KONINKLIJKE PTT NEDERLAND (Millions of guilders, consolidated)

KPN floats into land of the giants

12.\$	22,454 12.4	409 (82) 35 968 (8.3)	15,622 16,340 3,101 1,664 26,572 11.7
	394 299 3,130 12.8	394 2,789 299 1,330 3,190 22,454 12.5 12.4	394 2,789 (82) 299 1,330 35 3,130 22,454 968

companies euch as British

Mr Manus Fleskens, an ana lyst at Barclays de Zoete Wedd in Amsterdam, noted that the Dutch postal service was high-Iv-automated and well-managed and produced a consistent record of profits. "It has good prospects for the future, both in expanding its eize of operations and its profits gen-

Although the Netherlands has a mature telecommunications market, KPN is regarded as a solid player because its costs are low and because its home market is internationally-orientated, generating lucrative international telephone traffic. In a recent research report, Morgan Stanley described KPN as being in the forefront of telecommunications and postal liberalisation in Europe, while BZW rated it as potentially "the most attractive of the European quoted telephone companies".

In 1992, KPN posted net profit of F11.67bn on turnover of Fi 15.6bn, a rise of 3.4 per cent on the year before.

Predictions for the value of KPN hinge not so much on investors' perceptions of the postal activities as on the company's expected dividend pol-

rce: Koninklike PTT Nederland 1992 are icy. KPN pays out 40 per cent of net profits to the Dutch state, and initial indications

are that this level will not be raised eignificantly in the first few years after privatisation. Partly balancing this, Dutch regulators are expected to adopt a relatively benign attitude to post-privatisation pricing of postal and telecommunication services, meaning that KPN will not face overly strict constraints on either of its

o far, analysts have assigned a broad Fl 16bn-Fl 22bn range for the total value of KPN, meaning that a first 30 per cent tranche could be worth more than F15bn. Much will depend on the climate of the Amsterdam bourse next year, the details of the flotation legislation that is being examined by parliament; and, to a lesser extent, whether the government will want to build in incentives to entice private shareholders. Last month, the Dutch state

chose NM Rothschild & Sons, the British investment bank to advise on all aspects of the sale, including the flotation

KPN bas chosen another Anglo-Saxon investment house, Goldman Sachs, to act on its behalf. Dutch banks passed over in the Netherlands' most significant privatisation since the flotation of DSM, the chemicals group, in the late 1980s, are expected to win prominent roles in the underwriting syndicate.

Sigi

(arabitan

Unlike the British government, the Dutch government has never given any priority to increasing the country's base of small shareholders through privatisation. Incentives are therefore more donbtful

although not ruled out. Rather than pursuing idealogical goals, the state's sell-off. is designed to bolster KPN's position in the fast-changing world of telecommunications and postal services.

KPN is smaller than BT. AT&T and other privatisation candidates such as Deutsche Telekom of Germany, but it is determinedly trying to com-pete with its bigger rivals in providing telecommunication services to multinational com-

Its vehicle for this competitive and expensive area of international telecommunications is Unisource, a venture with Sweden's Televerket and Swiss Telecom. This pits the Dntch company against BT's Syncordia and the French-German joint venture Eunetcom as well as against AT&T's Worldsource partnership.

By buying shares in KPN. investors will not be gaining access to one of the dominant companies of the industry. However, KPN's attraction lies in its plucky and nimble efforts to hold its own and expand itsinfluence in a global sector where national barriers are swiftly being dismantled.

Bank in Liechtenstein group ahead

By lan Rodger in Vienna

BIL GT, the financial group built around Bank in Liechtenstein, has reported a 53 per cent jump in consolidated net income in the first half of 1993 to SFr69m (\$46m).

Like other banking groups based in the Swiss market, the group has benefited from an unusual combination of rising and active securities markets.

declining interest rates, large inflows of funds and relatively stable expenses.

BIL GT said all its companies contributed to the overall increase in assets under administration to SFr44.8bn at June 30, up 16 per cent from a year earlier. Assets under mangement rose 21 per ceot to SF124.6bn.

A 25 per cent advance in groop revenues to SFr255m

resulted from a substantial increase in net interest income and brokerage earnings together with increased investment management fees and higher dealing profits.

Administrative expenses were up only 10 per cent, and most of it was attributed to the higher business activity level. The directors said they were confident of achieving "a good

business year".

French retailer changes hands

By John Ridding in Paris

IMMOBILIERE Phenix and Altus Finance have taken control of Fnac, the French retailing group, after exercising options granted to them last week by GMF, the French insurance group. The two companies acquired 50.01 per cent of Fnac for FFr2.928 per share, valuing it at FFr2.4bn (\$444m).

JULY, 1993

NOTICE

WORLDINVEST INCOME FUND

DECLARATION OF DIVIDEND No. 33

The Trustees of the Worldinvest income Fund are pleased to announce an interim US\$8.00 per share distribution to Shareholders in respect of the half-year period from December 31, 1992 to June 30, 1993.

For holders of bearer units with accompanying coupons, Coupon Number 33, and any previously unpresented coupons, may be presented for payment on or after August 2, 1993 to: BankAmerica Trust Company (Jersey) Limited,

PO Box 120, Union House, Union Street, St. Helier, JERSEY, Channel Islands

For holders of registered units, the dividend will be distributed in accordance with individual mandating instructions in place.

Payments will be made subject to any applicable fiscal or other regulations within fourteen days of such presentation.

WORLDINVESTEXCERE GLOBAL FIXED INCOME SUR ELIND

DECLARATION OF DIVIDEND No. 1

The Trustees of the WorldInvest Excelle Fund are pleased to announce an interim £0.25 per share distribution to Shareholders of thes Global Fixed Income Sub-fund in respect of the half-year period from December 29, 1992

The dividend will be distributed in accordance with individual mandating instructions in place and will be paid on August 2, 1993.

WorldInvest (Managers) Jersey Littlifed

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5% per annum with an interest amount of U.S. \$130.56 per U.S. \$10,000 principal amount of notes payable on August 23, 1993. an Bank, N.A. London, Agent Bank July 21, 1993



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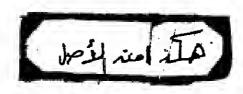
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1...

US BANK shares rose in early trading yesterday on earnings reports that pointed to a marked recovery in the quality of real estate and commercial loan assets, although profit-taking later left some shares down on the day.

Wells Fargo, the California based bank hit by troubled property lending, said net income for the second quarter rose to \$149m, or \$2.46 a share. compared with \$82m, or \$1.33,

a year ago.
Although income fell and costs rose, the figures were boosted by a sharp fall in loanloss provisions to \$140m, down from \$300m last time.

include retail.

Charges have

However, the company said it was still concerned about the Californian economy. Net loan write-offs wera \$138m, against \$184m a year ago. Net interest income fell to

\$658m from \$671m as loan volume declined slightly and interest margins remained steady. Other income rose to \$275m from \$271m. Operating expenses advanced by 5 per cent, or \$25m, to \$531m.

Due to lower provisions, return on equity for the period rose to 16.73 per cent, from 12.1 per cent in the first quarter

Canadian group

ESC Wagons, the consortium

building abottle-train car-

riages for the Channel tunnel,

bas raised the amount of its

legal claim against Trans-

Manche-Link, the tunnel's main contractor, writes Bern-

Bombardier, the Canadian

transport group which beads

ESC, said yesterday it was still

trying to negotiate a settle-

ment of the dispute over addi-

tional work required to meet

TML's changed specifications. But Bombardier said it

planned to press its claim in

court if it did not receive "an

early and positive reaction".

FFr3.39bn (\$584.5m), compared

with the FFr2bn claimed last

December. The company said

the difference reflected further

"delays and disruptions result-

ing from TML's actions".

ESC is claiming a total of

ard Simon in Toronto.

raises claim

against TML

RECORD income from trading was the main factor behind a 59 per cent rise in net income at Chemical Bank in the second quarter, to \$381m, writes Richard Waters. In common with other blg US banks, Chemical reported a

sharp rise in income from trading in foreign exchange and other financial markets, np at \$298m from \$170m in the same period

The bank also recorded a 7 per cent rise in net interest income to \$1.175bn. Provisions for credit losses rose to \$363m, from \$345m a year

ago, aithough provisions for the first half as a whole were down at \$675m, from \$720m in the corresponding period.

Mr Walter Shipley, president, said that the bank had seen a 'sharp improvement in credit quality" during the quarter, with non-performing assets falling by \$843m.

Second quarter earnings per share were \$1.39, against 83 cents in the same quarter of 1993. First half net income rose to \$755m, or \$2.70, from \$500m, or

\$1.83, in the 1892 period. Chemical estimated that its Tier 1 capital ratio had risen to 7.6 per cent by the end of June, from 7.0 per cent at the end of the

and 9.55 per cent a year ago. Net income for the first half

was \$257m, or \$4.18, compared with \$201m, or \$3.42, last time. Declining provisions also helped fuel a 22 per cent advance in net income for the quarter at NatinnsBank, the North Carolina-based "superregional" bank which has grown by acquisition into the nation's fifth largest. The charge for credit losses fell to

\$110m from \$150m a year ago as net income jumped to

\$306m, or \$1.19, from \$251m, or

98 cents fully-diluted.

The advance came in spite of "a still less-than-robust economic recovery," said Mr Hugh McColl, chairman, Firsthalf net income reached \$787m. or \$2.28, from \$561m. or \$2.22, in the first half of 1992.

Loan growth was "exceptionally strong" during the period, the company said, with total outstanding loans rising hy \$2.8bn, or 16 per cent, from the previous quarter. Return on equity was 14.65 per cent, against 14.21 per cent.

super-regional bank which also counts itself among the 10 largest in the US, reported net income of \$282m, or \$1.01, up from \$243m, or 87 cents a year earlier. First-half after-tax profits were \$569m, up from 1992's restated \$425m. Second-quarter results were lifted by a rise in the net interest margin to 6.3 per cent from 5.96 per cent.

The takeover in May of The Boston Company, a trust and investment management company, led Mellon Bank to report second-quarter net income of \$99m, or \$1.32, compared with \$90m, or \$1.41, after the effect of a favourable tax position s year before f\$64m, or \$0.95 a share, excluding the one-off tax treatment).

Net interest revenue was \$314m, up from \$281m a year hefore, while fee income climbed to \$281m from \$203m. Leaving aside the effects of the Boston acquisition, the income figures would have been \$300m and \$243m respectively. Provisions for credit losses feli to \$35m, from \$50m,

while return on equity rose to 13.69 per cent from 11.37 per cent (before the one-off tax benefit). First-half net income was \$133m, or \$1.63, down from \$176m, or \$2.77, last year.

Sears, Roebuck back in black

By Laurie Morse

SEARS, Roebuck yesterday said it had returned to profitability, reporting record second-quarter earnings of \$580.6m, or \$1.51 a share, excluding unusual items, compared with \$325.5m, or 85 cents, for

the same quarter last year. The diversified US group is in the middle of a restructuring, having spun off the last of its Dean Witter Reynolds brokerage unit. It has also sold 20 per cent of Alistate Insurance, and all of the Coldwell Banker

property group. The unusual items include a gain of \$635.1m from the initial public offering of Allstate Corp, a \$145.3m charge for debt reduction, and a \$64m loss on its sale of Coldwell Banker Residential Services. If these items were included, Sears' second-quarter earnings were \$1.01bn. or \$2.63 per share.

Sales from Sears' continuing operations increased 5.6 per cent to \$12.16hn, from \$11.51bn a year ago.

Its core retail merchandising. group had second-quarter income of \$162.5m, on sales from continuing operations of \$6.85bn, compared with yearago earnings of \$131.1m and sales of \$8.46bn. Sears pulled out of its loss-making catalogue business during the second quarter.

Mr Edward Brennan, chairman, said the record second quarter was the result of the successful repositioning programme and improved operating performance of its core Sears' results include those

of the merchandising group, the 80 per cent of Alistate it still owns, and the Homart Development property group. In its first publicly-reported earnings as a publicly-traded

company. Allstate announced second-quarter eernings of \$396.7m, or 94 cents, compared with \$229.6m, or a pro-forms of 53 cents per share in the second quarter last year.

Sales rose 4.2 per cent to

\$5.23bn, from \$5.02bn last year. Underwriting losses fell to \$1.7m, down from the loss of \$253.8m the second quarter of 1992. Catastrophe losses for the second quarter were \$118.8m. against \$275.4m in the second quarter of 1992.

Dean Witter Discover reported second quarter income of \$157.1m, up 42 per cent on a comparable basis from the second quarter of 1992. On a per share basis the results were 92 cents, up from a pro forma 57 cents in 1992. Second quarter revenues were \$1.42bn.

The company's spin-off from Sears, Roebuck was completed

second-term earnings at Monsanto

By Karen Zagor

MONSANTO, the US chemicals group, yesterday unvelled a sharp rise in second-quarter earnings led by a strong performance by its agricultural husinesses.

This more than offset a decline in underlying operat-ing income from its chemical segment and lower operating income from its NutraSweet artlficlal sweetener Net income was \$200m, or

\$1.66 a share, on sales of \$2.23bn, compared with \$105m, or 86 cents, on sales of \$2.05bn last year. Operating income climbed to \$326m in the latest quarter from \$185m.

Operating income from the agricultural group rose more tban 50 per cent to \$258m, adjusted for a pre-tax charge of \$19m last year.

Mr Richard Mahoney, chairman and chief executive, said: "The single largest contributor to worldwide agricultural growth this year has been the rapld adoption of minimum tillage techniques by farmers, a trend which was further accelerated by exceptional weather conditions."

Agricultural sales grew to \$743m from \$532m. Operating income from Monsanto's chemical group rose to \$75m from \$59m, hnt the 1992 quarter included a pre-tax

extraordinary charge of \$41m. The company blamed weak economic conditions in Europe and Jspan for the performance of its chemical operations. Chemical sales slipped to \$933m from \$967m.

The Searle pharmacentical unit posted an operating loss of \$37m, against a loss of \$53m last year, while sales rose to \$368m from \$314m.

NutraSweet recorded operating income of \$42m on sales of \$186m, compared with \$48m on sales of \$232m.

First-half net Income was \$341m, or \$2.83, on sales of \$4.17bn, against a net deficit of \$283m, or \$2.30, on sales of \$4.02bn a year ago. Stripping ont the impact of accounting charges, Monsanto earned \$257m in the 1992 period.

Sharp rise in Job losses force Merck to take \$775m charge

MERCK, the world's biggest drugs group, yesterday said it was taking a pre-tax \$775m second-quarter charge to cover voluntary redundancies and other cost-cutting measur

The group added that it would cut about 2,100 jobs by the end of this year, about 1,100 more than previously announced.

Stripping out the charges, Merck posted a 9 per cent rise in underlying second-quarter profits to \$693.6m, or 61 cents a share, against \$643m, or 56 cents, last year. Including restructuring charges, Merck recorded net income of \$172.6m, or 15 cents, in the 1993 quarter. Sales rose 8 per cent to \$2.57bn from \$2.37bn.

The second-quarter figures were in line with analysts' expectations, although below

earned \$177.8m, or \$1.32, on sales of \$1,37bn.

cent drop in worldwide pharmaceutical sales to \$532m from \$566m. US pharmaceutical consent decree, would reduce sales were hurt by the loss of about \$34m in sales related to manufacturing and regulatory compliance issues in Puerto

company was close to reaching a settlement with the Food and Drug Administration over its manufacturing plants, mainly in Puerto Rico.

settlement, in the form of a \$2.54, on sales of \$2.68bn,

earnings rose 9 per cent to

annually.

declining market.

Merck said it had cut about

short-term goal of reducing its

work force by 1,000.

Many of these positions will

be eliminated permanently. In

the longer term, Merck plans

facilities and trimming its

workforce, mainly outside the

reduced employment costs

For the first half, Merck

Excluding the restructuring

posted net income of \$786.3m, or 69 cents, against \$740.3m, or

2.100 jobs since March, signifi-cantly above its earlier to continue streamlining its US, starting next year.

Mr Roy Vagelos, chairman
and chief executive, said the should save more than \$140m

Roy Vagelos: joh cuts should

save more than \$140m a year

Merck's traditional double-digit

64 cents, a year ago. earnings growth. Nevertheless, Wall Street charges in 1993 and charges for was enthusiastic about the accounting changes in 1992, restructuring plans, and at

Warner-Lambert improves 6%

WARNER-LAMBERT, the large US drugs group, reported a 6 per cent improvement in second quarter earnings to \$189.9m, or \$1.40 a share, on sales which rose 6 per cent to \$1.45bn, Karen Zagor writes. A year earlier, the company

A 29 per cent improvement in consumer sector sales outside the US offset a 2 per cent decline in the US and a 6 per

Mr Melvin Goodes, chairman and chief executive, said the

Earlier this month, Warner-Lambert said that the planned earnings. "At this point, its financial impact appears to be manage-able," said Mr Goodes. "How-ever, coupled with the delay in Cognex (a treatment for Alzheimer's disease] spproval, it will undercut our ability to

growth for the year. For the first half, Warner-Lambert posted net income of \$372m, or \$2.75 on sales of \$2.78bn, against \$341.5m, or

generate double-digit earnings

PepsiCo ahead 13% at \$426m

By Martin Dickson in New York

PEPSICO, the US food and soft drinks group, yesterday reported a 13 per cent increase in second-quarter net income, with strong growth in its snack foods and beverage business more than offsetting lower profits on the restaurants side. The company reported net income of \$426.8m, or 53 cents a share, up from \$378.8m, or 47 cents, in the same period of

cent to \$5.89bn. For the first six months the group reported net income of \$687m, or 85 cents, compared with \$613m, or 76 cents, before accounting changes in the

last year. Net sales rose 15 per

quarter its international operating profit rose 32 per cent. Excluding acquisitions within the last year, sales and operating profit improved 8 per cent and 11 per cent respectively. Mr Wayne Calloway, chairman, said he was pleased the

company managed to achieve double-digit earnings per share growth, on top of a 21 per cent increase in the same period of 1992, despite the cost of a new initiative at its Pizza Hut restaurant chain and higher US potato costs, which affected its Frito-Lay snack foods business.

Worldwide restaurant earnings dropped 5 per cent to \$166.3m on sales 12 per cent ahead. Earnings at Pizza Hut dropped 15 per cent to \$66.5m.

Pepsi said that in the latest with both US and international profits down. The fall in US profits was due partly to the launch of the new Bigfoot Pizza, a larger, more valueoriented dish, while the inter-national side suffered from continued volume declines in Australia and losses in Spain.

Kentucky Fried Chicken saw earnings drop 15 per cent to \$42.4m. However, snack food profits rose 18 per cent to \$276,3m on a 21 per cent increase in sales, and beverage earnings rose 18 per cent to \$341.5m on sales up 13 per cent. The recent product tamper-

ing hoax in the US, where syringes were alleged to have been found in Pepsi cans, occured after the end of the quarter.

European recession hits Honeywell

By Louise Kehoe n San Francisco

same period of 1992.

HONEYWELL, the US electronic control systems group, reported a drop in net income and revenues for the

second quarter.
Sales were \$1.45bn, down from \$1.49hn in the same period last year. Net income was \$71.4m, or 53 cents a share, including an after-tax gain of \$13.9m. or 10 cents, from the settlement of a lawsuit with Unisys. The gain was offset by special charges of \$13.3m after taxes to improve productivity.

In the same period last year, net income was \$81.8m, or 58 or 6 cents, after tax from litiga-

Second-quarter operating profit, excluding special charges, was \$131.7m, com-

and chief executive. In addition to a cyclical

"Despite the difficult envi-

tion settlements.

pared with \$152.3m last year. "We are delivering solid financial performance in the face of very difficult business conditions worldwide," said Mr Michael Bonsignore, chairman

decline in the commercial aviation industry, the company's difficulties bave been compounded by the deepening recession in Europe, especially in Germany, he added.

research and development investment by 15 per cent," Mr Bonsignore said. During the quarter, Honeywell purchased \$64m in shares as part of its five-year, \$600m share huy-

back programme. Honeywell's space and aviation business was down sharply in the quarter, with operating profit of \$48.5m on sales of \$424.7m, compared with an operating profit of \$61.4m on sales of \$460.9m in the same period last year.

First balf income was \$128.7m, or 95 cents a share, against \$50.7m, or 36 cents, last year. Sales were \$2.89bn, cents a share, including \$7.4m, ronment, we expanded against \$2.97bn a year earlier.

Amdahl loss worse than expected

By Louise Kehoe

AMDAHL reported heavier than expected losses for the second fiscal quarter as its rev-

enues dropped by one-third.

The US mainframe computer manufacturer said poor economic conditions, particularly in Europe, and a trend toward decentralised computer systems had reduced the volume of its business.

Net losses for the quarter were \$23.7m, or 21 cents a share, on revenues of \$463.2m against net income of \$16.9m, or 15 cents, on higher revenues of \$693m in the same period last vear.

First-half losses were \$263.4m, or \$2.32, including

the first quarter, when the company cut back manufacturing capacity with the loss of 1,000 jobs. In the first half of 1992, net income was \$21.3m, or 19 cents. First-half sales were \$843.9m, against \$1.19hn last Amdahl said It had cut costs

during the quarter by reducing its workforce and closing surplus manufacturing facilities. It also reduced inventories and cut capital spending.
The company added that the

shift away from central mainframe computers towards networks of smaller computers was more pronounced in some industry sectors than others. It said a customer survey

after-tax charges of \$177.4m in suggested growth in mainframe computer sales would vary widely depending on the business involved.

Last month Amdahl and Electronic Data Systems formed a joint venture software company, the Antares Alliance Group, which is working on software that will speed the development of applications programs.

Last week, Amdahl also announced an agreement with Fujitsu, the Japanese computer manufacturer, and ICL of the UK to collaborate in the development of a common UNIX operating system for the companies' computer products.
Fujitsu holds an equity stake

in Amdahl and owns ICL.

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INTEREST PAYAGLE PER YEN 100,000,000 - NDTES: YEN : 2,419,727 -

FRDM 21st July, 1993 TO 21st January, 1994

GROUP GOLD MINING COMPANIES Summary of reports: quarter ented 30 June 1993 Randfontein Estates in Estates Gold Mining Company With Registration number 01/00251/06 30.06.93 31.03.93 30.06.93 第25年12日には125年12日によって、125日である。 125日には125日には125日では125日によって、125日によっ Ore milled - tons (000) 2 001 3,97 Yield – grams per ton Working cost – per ton milled 4,12 R107,82 R106,07 R25 169 R26 718 R104,86 R26 669 - per kilogram produced F1000 R000 263 469 204 751 88 646 98 076 63 236 49 848 81 896 59 078 Net profit before tax Net profit after tax Dividends 67 249 24 720 22 738 Capital expenditure Western Arcas Western Areas Gold Mining Company Limited Plagistration number 59/03209/06 Year Quarter ended ended 30.06.93 31.03.92 30.06.93 Ore milled – tons (000) Yield – grams per ton Working cost – per ton milled – per kilogram produced R196,27 R31 585 R198,38 R31 218 R29 843 R000 R000 __<u>R000</u> Net profit before and 66 156 10 077 26 427 17 362 10 077 Capital expenditure 8 360 8 567 H. J. Joel H. J. Joef Gold Mining Company Limited Registration number 85/01985/08 Quarter ended ended 30.06.93 31.03.93 30.08.93 Ore milled – tons (000) Yield – grams per ton Working cost – per ton milled 835 6,04 186 8,12 R191,13 R31 658 R182,38 R29 809 R192,88 R000 R000 R000 13 888 21 952 1 671 4 050 Capital expenditure All figures are unaudited. Quarterly reports have been mailed to the shareholders of each company. Copies of the reports may be obtained from Barnato Brothers Limited. Thavies Inn House, 3-4 Holborn Circus, London, 21 July 1993

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EUROTUNNEL S.A.

Société anonyme au capital de FRF 5,339,795,450 Registered Office: 112 avenue Kléber, B.P. 166 - Trocadéro, 75770 Paris Codex 16 Registered No. RCS Paris B 334 192 408

Notice to Holders of Warrants Issued in 1986 and 1991

Holders of the 2,652,000 twinned Founder warrants (the "1986 Warrants") to subscribe for shares in Eurotunnel P.L.C. ("EPLC") and in Eurotunnel S.A. ("ESA") (issuable in the form of Units) constituted, in the case of EPLC, by an Instrument dated I September 1986 (as amended by Supplemental Instruments dated 4 September 1990 and 24 June 1993) and, in the case of ESA, by a Board resolution dated 13 August 1986, as amended by a Board resolution dated 4 September 1990 and by General Meetings of Warrantsholders held on 3 September 1990 and 23 June 1993, are informed that, as a result of the issue of free warrants to sharcholders (the "1993 Warrants"), the number of shares in EPLC and shares in ESA, twinned as Units, which a holder of a 1986 Warrant may subscribe on exercise of such 1986 Warrant has been adjusted. A certificate setting out the required adjustment has been obtained from Morgan Grenfell & Co. Limited and Banque Indosuez pursuant to the provisions of the Instrument (as amended) and the Soard Resolution (as amended) referred to above. A copy of the certificate is available for inspection by holders of the 1986 Warrants at the registered offices of EPLC and ESA. As a result of the adjustment, each 1986 Warrant emittes the holder thereof to subscribe for 11.20 Units (previously 10.78 Units) at a price of £9.72 and FRF 100. Subscription rights under the 1986 Warrants are only exercisable in respect of whole numbers of Units.

following the suspension, in connection with the issue of the 1993 Warrants, of the right to exercise the 1986 Warrants from 25 June 1993, the 1986 Warrants will again become exercisable on and from 23 July 1993. The above adjustment will apply to 1986 Warrants exercised on and after that date.

1991 Warrants

Holders of the 7,142,857 (winned warrants (the "1991 Warrants") to subscribe for shares in Euroquanel P.L.C. ("EPLC") and in Euroquanel S.A. ("ESA") (issuable in the form of Units) constituted, in the case of EPLC, by an instrument dated 10 lune 1991 has amended by a Supplemental Share Warrant fostroment dated 24 June 1993) and, in the case of ESA, the issue of which was decided by the Board of Directors on 23 May 1991 by virtue of resolutions of the Extraordinary General Meeting held on the same date (the terms and conditions of which were amended by a General Meeting of Warrantholders held on 23 June 1993), are hereby informed that, as a result of the issue of 1993 Warrants, the number of shares in EPLC and shares in ESA, revioued as Units, which a holder of a 1991 Warrant may subscribe on exercise of such 1991 Warrant has been adjusted.

A certificate setting out the required adjustment has been obtained from Morgan Grenfell & Co. Limited and Sanque Indosuez pursuant to the provisions of the Instrument (as amended) and the Board Resolution as amended) referred to above. A copy of the certificate is available for inspection by holders of the 1991 Warrants at the registered offices of EPLC and ESA. As a result of the adjustment, each 1991 Warrant entitles the holder thereof to subscribe for 1.11 Units 1previously 1.07 Units) at a price of £1.75 and FRF 17.50. Subscription rights under the 1991 Warrants will only be exercisable in respect of whole numbers of Units. 1991 Warrants are not exercisable at presers.

By order of the Board J P L Ratzer, Secretary Euroteanei P.L.C.

The Board of Directors Farotunnel S.A.

BankAmerica Corporation

Floating Rate Subordinated Capital Notes Due 1997 (originally issued by)

Security Pacific Corporation

NOTICE IS HEREBY GIVEN that pursuant to the provisions of Article Eleven of the Indenture dated as of February 15, 1985, as supplemented by a First Supplemental Indenture dated as of April 22, 1992. between BankAmerica Corporation (the "Company"), as the successor to Security Pacific Corporation, and Chemical Bank, as the Trustee, and pursuant to the terms of the above-referenced Notes (the "Notes"), the Company, in accordance with the approval of its primary federal regulator, has elected to redeem the entire outstanding principal amount of the Notes on August 23, 1993 (the "Redemption Date") at a price equal to 100% of their principal amount, together with accrued interest to the Redemption Date.

Payment will be made on the Redemption Date upon presentation and surrender of the Notes, together with all coupons which mature after the Redemption Date, at the office of a paying agent at any of the following addresses:

The Chase Manhattan Bank, N.A. Woolgate House Coleman Street London EC2P 2HD

Chase Manhattan Bank, N.A.

63 Rue du Rhône

Chase Manhattan Bank, Luxembourg S.A. 5 Rue Plaetis L-2338 Luxembourg Grund Credit Lyonnals Selgium S.A. 17 Avenue Marnix

CH-1204 Geneva The method of delivery of the Notes is at the option and risk of the holder but, if mail is used, registered mail is recommended

From and after the Redemption Oete the Notes will cease to bear interest, and ell coupons which mature after the Redemption Date shell be void.

BankAmerica Corporation

By: The Chase Manhattan Bank, N.A. London, Principal Peying Agent July 21, 1993

By: Chemical Bank, as Trustee

THE ESTABLISHMENT TRUST, SICAV Registered Office: Luxem

13, me Goethe R.C. Laxembourg B21.743

At the meeting of shareholders held on 16 July 1993 it was resolved to pay a dividend of US\$0.06 per share to shareholders on record on 15 July 1993 and to holders of bearer shares upon presentation of coupon No. 8 payable on or after 23 July 1993 with shares being ipon presentation of coupon 140, o pay-quoted ex-dividend as from 16 July 1993.

For the Establishment Trust, SICAV Bank of Bermoda (Luxembourg) S.A.

£200,000,000 MFC Finance No.1 PLC

Due October 2023

Notice is hereby given that accordance with Conditions 5(c) of the Prospectus dated 13th October 1988, the Issuer Intends to redeem £1,800,000 in aggregate value of the Notes on the respective August 1993 interest payment dates.

CITIBAN(

This announcement appears as a matter of record only.

The Republic of Argentina

has sold a 59% interest

Hidroeléctrica Alicurá S.A.

comprised of hydro-electric generation assets of

Hidronor

to a consortium formed by

Southern Electric International

The Bemberg Group

for an aggregate consideration of

U.S. \$315,641,771

The undersigned acted as advisors to the Republic of Argentina in structuring and negotiating the sale.

Banco General de Negocios

CS First Boston Group

Kleinwort Benson Limited

INTERNATIONAL COMPANIES AND FINANCE

Hong Kong listing Consortium buys New Zealand Rail for state-owned Chinese shipyard

By Simon Holberton in Hong Kong

GUANGZHOU Shipyard International yesterday came to the Hong Kong Stock Exchange for HK\$307m (US\$39m) with an issue which will result in 42.7 per cent of the commany being sold to the

The shipyard is the third of nine Chinese state enterprises to be listed on the exchange. GSI will issue 145m "H" shares at HK\$2.08 a share to give a prospective price earnings ratio of 8.3 on estimated 1993 net earnings or not less than Yn85m (\$14.8m). In addition, the company will issue 12.4m "H" shares to indepen-

dent third parties. Proceeds will be used to increase working capital. GSI's principal activities include shipbuilding, container manucompany - which builds naval as well as civilian vessels - is one of the eight largest shipyards in China and is controllad by tha China Stata Shipbuilding Corporation.

The company can build ships up to 40,000 dwt and has an annual capacity of 150,000 dwt; it has plans to increase ship size to 60,000 dwt and annual capacity to 200,000 dwt. GSI's annual container manufacturing capacity is 18,000 TEUs (twenty feet equivalent units).

Most are exported. GSI made a net profit of Yn67.6m for 1992, up 42.3 per cent. Turnover was Yn848.6m, against Yn586.4m.

According to the company's prospectus, dividends paid to foreign investors will be sub-ject to a 20 per cent withhold-ing tax. Last year GSI had net tangible assets of Yn640.9m.

News Corp aims to target Asia market with Telstra

NEWS Corporation, Mr Rupert Murdoch's media group, is in ance aimed at the Asia media market with Telstra. Austre-lia's biggest telephone company, Renter reports from

Industry sources said the state-run Telstra has infor-mally advised the Australian government that the alliance would pursue investments in such services as pay television

and home shopping.

This is the third recent deal between News Corp and Tel-

stantial stake in Seven Network, the Australian television operator: and they are also in a consortium bidding to operate pay television in Australia. Any alliance would combine

the expertise of Telstra with News Corp's media experience and access to TV material. News Corp owns newspapers, magazines, the US-based Fox and its subsidiaries Fox Network and Twentieth Century Fox plus 50 per cent of

BSkyB, the UK satellite broad-

Cuno posts profit in quarter

CUNO, North America's sixth largest newsprint producer, was profitable in the second quarter with higher shipments, slightly better prices and lower interest costs, writes Robert Gibbens in Montreal.

Net profit was C\$800,000 (US\$625,000) for the three months, against a loss of \$19m. Sales were \$134m, up 26 per

cent. The performance has led to a much reduced six-month loss of \$3.5m, against one of \$31,1m a year earlier. Half-year sales rose 23 per cent to \$262m.

The company went public last year when the Chicago Tribune sold a majority interest. Its eastern Canada mills are leaders in the production of recycled-content newsprint.

By Terry Hall in Wellington

A US-New Zealand consortium has paid NZ\$328m (US\$179m) for New Zealand Rail. It plans eventually to float some of the company - possibly 40 per cent on the local stock market.

Ms Ruth Richardson, New Zealand's minister of finance, said the deal, which includes the inter-island ferry service but excludes NZ Rail running track, is after NZ\$62m of debt

Wisconsin Central Transportation, the biggest railway oper-

The consortium consists of

investment group, and Fay, Richwhite, the Naw Zealand merchant bank. Fay, Richwhite said the flotation was planned for 1996 at

the earliest once NZ Rail was able to demonstrate a consistent earnings performance under private ownership. Last year it made an after-tax profit of NZ\$36.3m. Wisconsin Central operates

across 2,000 miles of track in the US and Canada. Mr Ed Burkhardt, president, said his company intended to remain a

publishing and information

services group, reported a 17.3 per cent rise in second-quarter

net income, buoyed by a jump

in profits at Standard & Poor's,

the credit rating agency.

McGraw-Hill raised net

income to \$43.18m, or 88 cents

a share, up from \$36.79m, or 75

cents, in the same period of

last year, on revenues up 1.4 per cent to \$490.9m. The group's financial ser-

vices business produced a 25.1

per cent increase in operating

income on a 14.5 per cent rise in revenue, thanks to Standard

& Poor's, which continued to

ELI LILLY, the US pharmaceuticals group which

went through a shake-up of top

management last month,

reported a 6 per cent advance

m sales for the second quarter

of 1993, compared with the

same period a year earlier, con-

founding the more gloomy

Net income rose to \$346.8m,

or \$1.18 a share, from \$340.2m,

or \$1.16. The result was ahead

of market expectations,

although still below the \$1.23 a

share achieved in the first

market predictions.

in New York

ator in the US, Berkshire Part-nars of Boston, a US equity which would roughly double the size of Wisconsin Central.

He said there were similarities, as his company's focus was on the haulage of forestry. coal, pulp and paper and dairy products.

Mr Burkhardt said employee numbers at NZ Rail were 5,000, down from 27,000 in 1984. He said that while Wisconsin Central had 1,050 staff the companies were different. His company did not run a large ferry service or passenger trains which were more labour inten-

showed "fine growth" as

investments in technology led

Information and publication services saw an 8.2 per cent

drop in revenue and a 20.8 per

cent fall in operating profits.

Advertising at Business Week magazine fell 16 per cent in April and May, and did not

begin to regain momentum

Educational and professional publishing suffered a \$2.1m

drop in operating profits, and

broadcasting was down 12.7

However, the group's share

per cent.

to productivity gains.

ment will retain the right to introduce another operator on the railway line if freight and passenger traffic falls below 50 per cent of current volumes.

Ms Richardson said NZ Rail would continue to receive a government subsidy at around the current level of NZ\$28m a year. NZR also recaives a regional bodies subsidy. She said these would assure continuation of the passenger service. NZ Rail would need a NZ\$600m capital injection by the end of the decade and another NZ\$800m by 2010.

of the MacMillan/McGraw-Hill

School Publishing Company's

profits rose 72.4 per cent, to

Mr Joseph Dionne, chair-

man, said the slow growth of

the US economy would mean a

challenging second half for

some of our businesses, particularly in advertising and con-

financial services from new fin-

ancing, new products and

global expansion should keep us moving ahead."

For the first half the com-

pany reported income up 18.9

per cent at \$58.43m on reve-

nues 2 per cent ahead at

\$957.8m. Earnings per share

were \$1.19, against \$1.00.

"But continued growth in

\$11.2m

struction.

S&P lifts McGraw-Hill result **JCI** group shows sharp benefit from new issues vol-ume in the US and interna-By Martin Dickson increase in in New York tional securities markets. The J.J. Kenny business also McGRAW-HILL, the US-based

earnings

By Philip Gawith in Johannesburg

LOWER unit costs and a higher gold price helped the three gold mines in the Johan-nesburg Consolidated Investments group to a strong advance in profits for the three months ended June. compared with the preceding After tax and capital spend-

ing, group profits rose by 61 per cent to R58.8m (\$17.6m). Western Areas pushed up its earnings by 102 per cent to R22.2m after tax and capital expenditure; Randfontein increased its profits by 26.7 per cent to R34.4m; and Joel

made a profit of R2.2m. The average yield of the mines rose for the sixth consecutive quarter to 4.81 grammes/tonne while unit costs fell to R27,583/kg. The average gold price received rose by 4.2 per cent to

R35,181 per kg.
One result of the better price was that employees received, for the first time, a metal price

Taken together with cost containment bonnses, the group paid ont bonuses totalling R8.1m during the three

A second result was that JCI chose, for the first time, to disclose the extent of its hedging activities. Mr Kennedy Maxwell, chair-

man of the gold and uranium division, sald yesterday that, given the reversal over the past few months in the bullion price trend, shareholders were obviously anxious to know the extent to which mines had mada forward sales. The figures reveal that the

three mines have hedged about 50 per cent of their production in the year ahead at prices of R36,300 to R37,400 per kg. The current gold price is about R42,440 per kg. Mr Maxwell said that if current gold prices were maintained, the portion of produc-tion hedged in future would

come down "quite considera-

\$2.8bn.

ond quarter of 1992, led by growth in international markets. The rise came in spite of moves by Germany to contain spending on drugs, tha com-Pharmaceutical sales in the

US were dampened by the effects of Medicaid rebates, the growth of institutional buying of drugs through managed-care programmes, and continued competition in anti-infective

Lilly has been hit by concern over its failure to produce new big-selling drugs, which con-tributed to the resignation last

Eli Lilly turnover advances 6%

month of Mr Vaughn Bryson, Sales totalled \$1.56bn, compared with \$1.48bn in the secchief executive. Spending on research and development rose to \$470m in

the second quarter, up 11 per cent on a yaar earlier. The company said this reflected the increased number of compounds that are entering the final phases of clinical research"

Before the effect of accounting changes, net income for the first half fell by \$102m to just over \$1bn, pushing earnings per share down from \$2.66 to

However, after accounting changes, earnings rose from \$2.26 to \$2.42 a share.

Income ahead at Rockwell Int'l

quarter of this year.

ROCKWELL International, the California-based high technology group, recorded a 20 per cent increase in third-quarter net income and forecast that full-year earnings per share would be at least 15 per cent higher than last

income of \$147.2m, or 66 cents depressed \$122.6m, or 55 cents, in the sama period of last year.

Sales rose from \$2.7bn to

said third-quarter figures were ahead of the company's expectations, with three of its four business units reporting substantial earnings increases aerospace and automotiva were each up 38 per cent while electronics, the group's largest business, was np 28 per cent.

The fourth, graphics, had The group reported net a loss, dua to "continued acome of \$147.2m, or 66 cents depressed worldwide newspaper printing press mar-

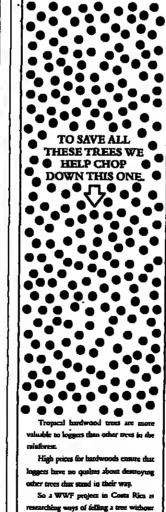
The company said, however. that it was beginning to see signs of an upturn in demand for large newspaper presses.

net income was \$411.9m, or \$1.87 a share, np 19 per cent over the \$344.9m, or \$1.54, reported the previous year prior to accounting Mr Beall said the third-

quarter figures demonstrated performance improvements through company-wide initiatives in "progressive management practices".

Aerospace's return on sales was up 3 percentage points, while electronics and automotive were up almost 2 percentage

12 juillet 1993



World Wide Fund For Nature



Eridania Béghin-Say

Groupe Ferruzzi

FRF 2 500 000 000 Ouverture de Crédit confirmé

> Arrangeur Banque Nationale de Paris

> > Co-Arrangeurs

Société Générale

Crédit Lyonnais

Banque Nationale de Paris

Societé Générale

Crédit Lyonnais

Credit National (Banque Saint Dominique) Banque Indosuez

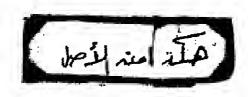
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July, 1993



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INTERNATIONAL CAPITAL MARKETS

Investors shrug off Maastricht vote and gilt auction

FT FIXED INTEREST INDICES

Year July 20 - July 16 July 18 July 15 July 14 ago High "Low "

By Peter John in London and Karen Zagor in New York

THE UK government bond market took the details of the fortbeoming gilts auction and nervousness over tomorrow's Maastricht vote in its

Short-dated maturities held steady with the declining hopes of a further cut in base rates countered by

GOVERNMENT BONDS

the impact of a firm pound. Middle-dsted maturities shrugged off the impending supply pressure from next week's auction.

The Bank of England said it would auction £3.25bn of 7 per cent stock dated November 2001. The stock will be payable in three instalments and be free of tax to overseas resi-

The new issue was trading between 18.08 and 18.10 on a when-issued basis yesterday. The size of the auction came as no surprise, but the market had predicted a maturity of

There was some additional encouragement in a fall in M4, the broad measure of money.

The figure came in at minus 0.2 per cent on the month against expectations of a rise of 0.5 per cent. The fall was, in fact, a reflection of ernment borrowing. been draining cash

At the ultra-lone continuing belief in low inflation saw th cent stock dated 201 108⊑ with investors any weakness to buy in.

■ SWIRLING speculation on money supply figures and views on today's interest rate signals sent German government deht prices lower yesterday. German bund futures for September traded on Liffe fell 0.16 to 96.08.

Initially, a rumour swept through the market that the German M3 money supply fig-ure, which is expected today, would come in at 7.2 per cent, far higher than the target were the case, the inflationary pressures would push back hopes for a rate cut.

The market also focused on a long interview with Mr Lothar Müller, a Bundesbank council member, who poured cold water on ideas of future rate cuts. Mr Müller has already spoken out against the practice

f high gov , which has from bank	Fixed Interest 117. Basis 100: Government for 1993. Government fight sin	,13 117.15 It Securities 15/1 Int Securities No	116.97 11 0/26; Fixed into	lation: 127,40 (9/	105.89 1/38), low 4 76)	117.15 9.16 (3/1/	108.6 75)
g end, the n enduring	indices*	GILT July 19	EDGED July 18	ACTIVIT July 15	TY July 14	ا. ،	Najy 13
the 8% per 17 rose & to seizing on	Cit Edged Bargales 5-Day average * SE activity indices re	100.9 111.8 besed 1874	105.5 112.1	123.3 110.4	119.0 104.2		110.2 101.9

of relaxing monetary policy without evidence of easing in the recession

Finally, the two-day reverse repo carried out on Monday at 7.15 per cent was seen as setting a floor for short-term rates. Dealers said although the Bundesbank could have carried out the same operation with T-Bills, that would have signalled a lower floor of 7 per cent. Economists expect a tight repo of around 7.18 per cent today. This will drain money from the system following the recent intervention to support the heavy selling of D-Marks for French francs.

■ ITALIAN government bonds were hit by a weak lira and a row brewing between the central bank and the government.

because of the government's

desire to cut interest rates further. Mr Carlo Ciampi's government is at odds with the central bank, which says it

should not. Further interest rate cuts will help the short end of the yield curve. However political uncertainty is never encouraging for the long end of the curva, and the 10-year futures contract for September traded on Liffa slipped 0.21 to

dipped lowar yesterday morning as the msrkat digested comments by Mr Alan Greenspan, chairman of the Federal Reserve, and investors started to hedge against an expected \$3bn paper issue the Tennessee Valley Authority.

By midday, the benchmark

■ US TREASURY prices

. 6	BENC	HMAR	K G	OVERI	AWEN	T BO	NDS	
		Coupen	Red Date	Price	Change	Yield	Week	Month ago
AUSTRALI	· · · · · ·	9,500	08/03	117.2355	-0.004	7.08	7.11	7.80
BELGILIM		9,000	03/03	113.6100	+0.050	7.01	7.01	7.18
CANADA .		7,500	12/03	102,8500	-D.100	7.11	7,16	7.37
DENMARK		8,000	05/03	106,2000	+0.450	7.10	6.98	6.97
FFANCE	BTAN OAT	8.000 8.500	05/88	197,3906	-0.302 -0.130	6.16 6.72	6.17 6.78	6.21 6.80
GERMANY		6,750	04/03	101.6700	-0,100	8,52	6.54	6.70
ITALY		11.500	03/03	104,6000	-0.125	11.00	11.00	11.50
JAPAN	No 119 No 145	4.800 5.500	06/99	103,7564	+0.228	4.01 4.25	3.99 4.26	4,24
NETHERLA		7,000	02/03	104,5900	+0.030	6.33	6.42	6.51
SPARI		10,300	06/02	100,3257	-0.057	10.23	10.23	10.33
UK GE,TS		7.250 8.000 6.000	03/98 05/03 10/08	102-03 103-29 110-18	-1/32 +6/32 +7/32	6.71 7.42 7.52	6.73 7.50 7.93	7.00 7.76 8.13
US TREAS	URY	6.250 7,125	02/03	103-25 107-02	-11/32 -18/32	6.73 6.58	5.75 8.62	5.91 6.80
ECU (Franc	h Gová	8,000	04/03	105.1300	-0.340	7.24	7,13	7.14
		tes New Yo	rk momić	g session		Yleidis: Loc	i madant s	tendard

30-year government bond was h lower at 107%, yielding 6.561 per cent. At the short end of the market, the two-year note was down 🛔, to yield 4.023 per

In testimony to Congress yesterday morning, Mr Greenspan reduced his forecast for GDP and said this year's inflation news was disappointing. He said further progress on inflation would not be easy. 'Inflation expectations, at least by some measures, appear to

have tilted upward this year possibly contributing to price pressures," he said.

There was little reaction to the June housing starts report, which was unchanged, while May housing starts ware revised to show a rise of 4 per

The Federal Reserve intervened in the open market to arrange \$2.5bn of customer repurchase agreement when Fed Funds were trading at 3th

European futures links encounter local opposition

spawned plans to forge links aimed at a broader investment up autonomy, base. However, in practice, exchanges are finding it more difficult than imagined to sacrifice total autonomy.

In the past decade, 18 deriva-tives exchanges have sprung up in Europe. They support 98 different futures and options contracts, excluding options on individual shares.

Many of the smaller exchanges have successful stock derivatives - indax futures and equity options even though their underlying stock markets are quite illiquid, and barely contemplating international expansion. The best example of cross-

border links is Fex, an alliance of European derivatives exchanges that plans electronic connections across borders between London, Stockholm, Zurich, Amsterdam and Vienna. Budding exchanges in Spain and Italy hope to join the group. Germany's Deut-sche Terminbörse (DTB) and France's Matif are also discuss-

Amsterdam's electronic darivatives exchange, the European Options Exchange (EOE), and the London arm of its Swedish counterpart, OMLX, have already linked systems in the first stage of the Fex agreement, allowing joint access to their respective stock index products. To date, it is the only such alliance successfully consummated.

The pace of this co-operation may be checked by the realities of joint ventures, includingprotectionist concerns from the exchanges' less robust cash markets.

The board of Soffex, Switzerland's futures and options exchange, dealt a blow to the Fex agreement last week when it ordered work on cross-border links and foreign memberships to stop. Switzerland is struggling to construct a national electronic stock market (the EBS) to replace its three regional exchanges

The three big Swiss banks which dominate Soffex's board are expected to govern the EBS

The ambitions of Exchanges are Europe's thriving derivatives exchanges have slow to give writes Laurie Morse

> when it emerges. Analysts say the banks may have stifled Sorfex out of fear that interna-tional links would bleed away Switzerland's stock market to London. "The banks may see the need to build up a good Swiss atock market [before opening it up to foreigners]. By putting off the Soffex links, they may be buying time," says Mr Ruben Lee, managing director of the UK consulting

firm, Oxford Finance Group. The price of delaying co-operation, Mr Lee says, is, increased competition. London already accounts for about enefifth of Swiss stock trading, and Liffe, London's futures and options exchange, has been singularly successful at capturing foreign currency-denominated financial contracts.

The decision to constrain the derivatives market long enough for the cash market to catch up has serious implica-tions for Soffex and its Fex

Soffex's volume is posting records, but with the electronic link, the exchange "would have had a lot more marketmakers, and a lot more liquidity, and we would have created business for our partner exchanges as well," said Mr Daniel Grossreider, Soffex vice-president.

Other planned links are proving difficult to consummate. By co-operating, exchanges lose some control over their own business. Liffe and the Chicago Board of Trade last month abandoned discussions to ahare government debt contracts.

The larger exchanges are turning toward joint marketing efforts in preference to links, viewing them as easier and more practical. The smaller derivatives exchanges, however, have more to gain from links, since they have fewer overlapping members.

Long-dated D-Mark offering attracts foreign interest

EUROPEAN currencies provided the talking point of the international bond market yesterday, as market participants focused on a substantial long-dated D-Mark issue from LKB Baden Württemberg Finance and an aggressively-priced Eurolira deal from

INTERNATIONAL **BONDS**

Recent tensions within the European exchange rate mechanism and a sbortage of 10-year D-Mark denominated Eurobonds provided the main impetus for the launch of LKB Baden Württemberg Finance's DM1bn deal, according to Deutsche Bank, book-runner for the issue, It said currency strains were likely to prompt more

The bonds were sold mainly to foreign investors who want to hold D-Mark assets in view of the recent turbulence in the

foreign exchange markets. The LKB Baden Württemberg bonds, which have a triple-A rating, were priced to yield 18 basis points over the 6% per cent bund due 2003, providing an annual yield of 6.705 per cent.

By late afternoon, the bonds were trading within fees at 99.36 bid, having kept the yield spread of 18 basis points over The launch of yet another

aggressively-priced Eurolira

deal - a L200bn, 10-year issue from GECC - drew a stream of fairly caustic comments from rival Eurolira specialists. Credito Italiano, book-runner to the deal, said there was still good retail demand in Switzerland and the Benelux countries

for Eurolira bonds, given the

relative stability of the cur-

rency and the prospect of falling interest rates.

The deal comes hard on the heels of a tightly-priced issue from the World Bank, which yielded 9.47 per cent at full fees. GECC'a bonds have a coupon of 9.55 per cent and yielded 9.51 per cent at full

Market participants complained that the yield pick-up of four basis points over the World Bank issue looked mean, while even Credito Italiano conceded that the deal was "on the aggressive side".

• Abbey National, the UK financial services group, announced yesterday it boped

to tap the nascent Dragon bond

market, adding another corpo-

rate name to the steady list of

borrowers in south-east Asia. The bank, which has Aa2/AA credit rating, is expected to raise between \$200m and \$300m in the threeto five-year maturity range.

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ower .	Amount m,	Coupon %	Price	Maturity	Foes %	Spread bp	Book r
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Continental Bank Corp.(a); Sony Capital Corp.	150	(a) 5.625	99.75P 100.25	Aug. 1998 Jul. 1998	0.25R 0.25R	+50 (5%%-98)	Memir Lynch Int. Mitsubishi Finance Intl.
D-MARKS LKB Baden Würt'berg Finance	1bn	6.625	99.425R	Aug.2003	0.325R	+16 (6%%-03)	Deutsche Bank
YEN Itochu Corp.★	20bn	4.5	100.25R	Nov.1997	0.25Fi		Meni3 Lynch Intl.
CANADIAN DOLLARS Bacob Overseas, Cayman Is.	75	7.25	99.65R	Sep.1999	0.375R	+70 (b)	Daiwa Europe
ITALIAN LIRA GECC	200bn	8.55	102.29	Aug.2003	2	-	Credito Italiano
SWISS FRANCS Nederlandse Gasunie	125	425	102	Aug.1998			UBS

MINE INTERNATIONAL POND ICCURS

Abbey National said it was rating agency, has improved keen to broaden its investor base in Asia using a Dragon bond, an international bond offering listed in Hong Kong or Singapore, and aimed at investors in the region.

its long-term outlook on the Peoples Republic of China to positive from stable.

debt rating and its A-2 short

"Recent political events neither ensure that reform will proceed without interruption The agency confirmed nor clarify long-standing China's BBB foreign currency questions about China's potentially difficult leadership suc-

MARKET STATISTICS

RISES AND FALLS YESTERDAY

• Standard & Poor's, the US term currency debt rating.

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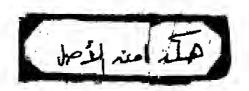
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			TRAD	ITIOI	IAL OPTIONS		_

T-SE ACTUARIES INDICES

	···	LIFFE	EQUITY OPTION	\$
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Option	Jul Oct Feb Jul Oct Feb	(7402.) Ametrad	421 012 1512 25 261 ₂ 34 41	PUTS
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Option	Jul Oct Dec Jul Oct Dec	British Gas (*291)	300 8 12 17 5 111 1812	July 20 Total Contracts 20,609
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				Premising shows are passed on closing other prices.
	FT-ACTU	RIES	FIXED INTEREST	

_		PRICE	BEDICE				L	REDEMPTION YIELDS	Tue Jul 20	Mon	Year
		Tue Jul 20	Day's change %	Mon Jul 19	Accrued Interest	xd adj. 1993 to date	1 2	British Government Low 5 years	8.78 7.73	19 6.78 7.75	(approx.) 8.38 8.75
2 3 4	British Government Up to 8 years (25) 5-15 years (23) Over 15 years (9) Irredoemables (6) All stocks (63)	184.85 186.72	+0.10	127.95 181.59 164.49 187.91 146.94	1.56 2.37 1.09 2.00 1.87	5.63 7.07 7.16 7.35 7.03	4567S9	CONTROL CONTROL	7.83 7.83 7.82 7.16 8.08	7.90 6.95 7.85 7.94 7.14 8.10 8.13	8.76 9.24 8.97 8.92 9.46 9.13
 6 7	intex-Linked tip to 5 years (2) Over 5 years (11) All stocks (13)	188-30 176-51	+0.02 +0.11 +0.10	188.28 178.32 176.54	1.44 0.41 0.52	1.92 3.20 3.06	11 12 13 14	index-United Inductor rate 5% Up to 5yra, Inflation rate 5% Over 5 yra, Inflation rate 10% Up to 5 yra, Inflation rate 10% Up to 5 yra, Inflation rate 10% Over 6 yra	2 An	2.81 3.45 1.99 3.21	9.03 4.15 4.45 3.36 4.28
9	Debę & Loans (66)	135.39	+0.40	134.86	2.84	5.75	15 18 17	Date & S years	8.43 8,70 6.95	8,47 6,83 6,90	10.53 10.52 10.19



Reliance

Marine

Midland

advance

By Paul Taylor

shows 82%

MARINE Midland Bank, the

US subsidiary of Hongkong and Shanghai Bank, yesterday

reported an 82 per cent increase, from \$43.6m to \$79.3m (£52.8m), in net profits

The New York-based regional hank, which has

\$17bn in assets, said that sec-

ond quarter net profits grew

by a more modest 10 per cent to \$45.3m (\$41m).

Net interest income in the

second quarter was \$186.6m (\$178.9m) with the increase

partly due to the improved

quality of Marine's loan port-

However, the bank incurred a

\$56.1m loss in non-interest

income reflecting an extraordi-

nary \$127.7m net write-down

of mortgage servicing rights to reflect high refinancing lev-

This loss was more than off-

set by the release of \$115m in

provisions for loan losses. The release of the provisions, and

the resulting drop in the allowance for loan losses to

\$391.2m, reflected the continn-

for the first half of 1993.

Thus Laurie

SB's future clouded by expiry of US patent

SMITHKLINE Beecham's ability to overcome the inevita-ble damage which will be inflicted next May by the expiry of the US patents of Tagamet, its best-selling product, will be crucial to the group's future.

Tagamet, an anti-ulcer treatment that was once the world's best-selling drug, still generated sales of \$1.1hn (£730m) last year. Of these about \$650m were in the US. The division's turnover last year was £2.8bn.
"This is bad news. Anyone

who thinks the patent expiry won't have a substantial impact on SB is going to be disappointed. The drug still has substantial sales and is very profitable," says Mr Jan Leschley, head of SB's pharma. ceuticals arm, and the group's chief executive designate.

SB's strategy is to launch an over-the-counter version of Tagamet and to generate growth through new products. A elight hiccup in the first

element of the strategy is that before the merger of Smith-Kline of the US with the UK group, Beecham, the American company sold the OTC distri-

suffered badly in the second

half and over the year to April

30 experienced a 68 per cent

117p.
The dividend, however, is

maintained at 4.5p, the final being 3.4p to which directors

waived half their entitlement.

Earnings per share came to

The shares dropped 13p to

plunge in pre-tax profits.

Mr Leschiey refuses to discuss the issue, which he describes as delicate. Mean-

while the company has lodged its dosser to the US Food and Drug Administration for the medicine to make the switch to

As for generating growth through new products, Mr Les-chley stressed the success of Paxil, its new anti-depressant, Relafen, an arthritis drug, Kytril, an anti-nausea product, and Havrix, a hepatitis A vaccine. These generated £96m in new sales during the second quarter, compared with £212m for the whole of last year. The US launch of Paxil has

outpaced that of the market leader among the advanced selective serotonin re-uptake inhibitors, Eli Lilly's Prozac. SB's drug has captured 15.6 per cent of new prescriptions dur-ing the second quarter, compared with 6 per cent in February when it was launched. The medicine has 24 per cent of the whole UK anti-depressant market and 20 per cent of the Dutch market.

Relafen's performance in the US was described by Mr Les-

Reliance Security down 68%

Turnover rose to £68m

(£63.4m) and pre-tax profit

worked through at £1.11m

(£3.42m), struck after further

losses of £1.2m (£900,000) in

developing the electronic sur-

veillance business towards the

critical mass in sales needed to

Also, for this year, there was

an exceptional dehit of £352,000

relating to reorganisation of

central support services and

Poor second half leaves

hution rights for Tagamet in chley as "tremendous". Kytril was doing well, and the roll-out of Havrix was extremely successful, he said.

However. SB's strategy for continued growth may be held up by the worsening environmant for drugs companies. European drugs sales during ths second quarter were up only 1 per cent. Turnover in Germany and Italy, where healthcare reforms have been introduced, fell 9 per cent and 15 per cent respectively. In France and the UK sales were up 10 per cent and 8 per cent.
Mr Leschley said: "I'm not
optimistic about Germany and

Italy for the full year. And there's no douht that ln France, the UK and Spain we will see cost-containment measures introduced in the near future." SB's response will not be like

that of Merck, the world's larg-est drugs group, which yester-day announced further redundancies, said Mr Leschley.

"We have no plans whatsoever to make across-the-board lay-offs. That is not to say there will not be redundancies in selective pockets. We've just laid off 100 sales representatives in Germany." he said.

Mr Brian Kingham, chair-

man, said that despite reces-

sion the group had continued

with a number of investment

programmes which had been

costly but would more than

compensate in the strength

For the current year be fore-

gained from market position.

cast a recovery in earnings,

even without a significant

change in market conditions.

ing decline in non accruing loans and net commercial The allowance represented 79.2 per cent of non-accraing loans at the end of the first half, compared to 65.6 per cent

a year earlier. The bank ended the first half with an increased Tier 1 risk-weighted capital ratio of 9.61 per cent, compared to 8.67

per cent a year earlier. **Matthew Clark**

Matthew Clark had a 94.2 per cent take-np for its rights issue. Of the 4.36m new ordinary shares provisionally allotted at 320p, 4.11m have

Not yet first choice for fashion Neil Buckley examines the image problems facing House of Fraser

stores such as Rackhams,
Army and Navy and
Dickins & Jones may never realise they are shopping in a House of Fraser shop - unless they happen to notice the group logo on the carrier bag. After House of Fraser's eight years as a private company owned by the Fayed hrothers. the investment community

may be similarly unaware of the full extent of its retail empire. Overcoming the City's scepticism and ignorance is one of the biggest tasks the group faces before its flotation next year.

Although the department

stores have effectively been run as a separate business, in spite of the presence of Mr Ali Fayed as chairman, they have often been swallowed up in the publicity surrounding the Fayeds and the flagship Harrods store.

No 1980s takeover hattle was more ruthlessiy fought than that for House of Fraser, pitting the Fayed bothers, Mohamed and Ali, against Mr Tiny Rowland and his Lonrho

trading conglomerate.
"One cannot deny that there is in some quarters a credibil-ity problem," admits Mr Brian McGowan, the man brought in to replace Mr Fayed as non-ex-ecutive chairman and to prepare the chain for flotation. Mr McGowan, 48, was sufficiently convinced of House of Fraser's strengths to postpone his retirement.

One strength, he believes, is its assets base. House of Fraser has 59 stores with total floorspace of almost 5m sq ft. About 90 per cent of the property is freehold - with a value of about £250m.

The chain stretches from Inverness to Plymouth, trading under names such as Rackhams, Dingles, Army and Navy, Dickins & Jones, Binns and Frasers.

Mr McGowan believes another strength of the business is that many of the stores



There is a credibility problem says Mr Brian McGowan (centre), flanked by Mr Tiny Rowland (left), joint chief executive of Lourho, and Mr Mohamed Fayed, one of the Fayed hrothers.

are popular and well established retailers with customer loyalty built up over 100 years

or more. Moreover, he says, rumours that the company has been starved of cash since it was hought by the Fayeds in 1985 are untrue. Capital investment has been about £100m over the last five years, and the shape of the chain has changed significantly.

in 1985, it had 93 stores. Many smaller, underperforming stores have been closed, while new stores have opened in the Lakeside retail park at Thurrock, at Meadowhall near Sheffield, Leicester and Milton Keynes.

The store closure programme means turnover has been relatively static. For the year to January, sales were £695m, little different from the figures for 1990 or 1988.

But operating profits increased from £21.6m to £36.8m. The company said yesterday that sales up to the end of June were running 7 per cent ahead of last year.

Mr Andrew Jennings, House of Fraser's managing director since 1992, says the rationalisation programme is largely com-While isolated closures may

still occur, the company is now ieft with a core store hase, which it can gradually expand, largely through out of town The way forward, he says, is

to continue the programme begun last year of cutting costs and repositioning the business as the first-choice destination for fashion clothing and accessories as well as "fashionable" furniture and housewares.

The number of full-time equivalent staff fell from 10.500 people to 8,300 by January 1993, and the ratio of full-time to part-time staff changed from about 60:40 to about 40:60, resulting in a £6m saving on wage costs, Layers of management have been removed, and new systems are allowing further productivity improve-

Mr Jennings is continuing to look at the product mix, reducing and focusing the range and the number of suppliers.

"I don't see the future being in good old traditional department stores. We trade on the basis of being speciality retailers. We are a fashion husiness - both fashion in the home, and fashion apparel," he said.

Some analysts yesterday were sceptical, warning that the £500m valuation of the chain was too high. While millions of pounds had been spent on refurhishing higger showcase stores, many smaller stores were still "tatty" and in need of substantial investment, they said.

"The Debenhams revival has shown department stores have a future, and there is a continuing appetite [in the City] for recovery stocks. But whether it can live up to that and become a recovery stock depends on the management and strategy," said Mr Nick Bubb, retail analyst at Morgan

Angloved Group

generate profits.

All financial figures for the quarter and progressive figures for the current year to date are unaud

Development redults given are the actual templing results. No allowances have been made for adjust necessary in the valuation of the corresponding one reserves.

Rate of exchange on 30 June 1963; R1.00 = £0.20, £1,00 = R5.05.

In terms of the Company's gracies of asso to R50 000 000, A130 June 1933, borrows long-term borrowings amounted to R236 ((1992: R1 199 000).	cition, the direct ngs lotalled R983 300 (1892: R1 82	tors' besrowing 3 000 (1992: R3 0 000) and short	powers are limit 009 000), of wh term to 67765 0
Hedging transactions As at 30 June 1983, the Company had so	d the follower or	ortions of its futur	re oold productl
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N	pa		forward pri
Years ending	Kg of go		per kg ac
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Dividend Final dividend No. 75 of 65 cents per share per share per share tor the financial year. Capital expenditure	was declared in		
Outstanding commitments at 30 June 19 R6 050 000).	93 are estimate	d at P1 697 000	(31 March 19:
For and on behalf of the board			
B.E. Hersov Directors			
Oinectoet: B.E. Horsov O.M.S., Hon. LL.D. (Cheir Citys S. Manell, C.L. Sunter, R.A.D. Wilson Alternate directors: P.J. Eustabe, B.J. Fursson, h			
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Basiem Transvac	31		
Consolidated (V	france fi	6s1	
	week E		
Reg. No. 01/08442/08 Issued capital; 86 333 560 shares of 2,5	conto aoch		
sound capatil, or god our displace of 2,3	Quarter	Quarter	Florne
	ended	ended	year ende
	30 Juma 1993	31 March 1993	20 Jul
Operating results			
Ore miled1 Gold recoveredkg	83 700 864	84 395 905	357 4° 3 6
Yieldgr	10,3	10,7	10
Revenue R/t miled	377,31 282,22	344,71 271,37	338,1 256,1
Profit	95,09	73,34	82,
Revenue	38 552 27 340	32 146 25 306	33 2 25 1
ProfitRAG	B 212	B 840	9 1
RevenueR000	31 581	26 092 22 902	121 11 81 6
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	R000	R000	RO
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	582	488	
Financial results Working profit – gold mining Non-mining income	562 8 521	8 678	31 7
Financial results Working profit - gold mining	582	488	31 73 6 30
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Financial results Working profit – gold mining Mon-mining income Prospecting expenditure Stores realisation adjustment Profit before taxation Taxation Profit atjer taxation Capital expenditure	8 521 1 333 (268) 7 456 2 017 5 439 2 850	4 489 8 678 2 208 4 470 252 4 218	31 7: 6 3: (22 25 6: 5 1! 20 5: 9 9: 10 3:
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Financial results Working profit — gold mining Mon-mining income Prospecting expenditure Stores realisation adjustment Profit before taxation Taxation Profit abler taxation Capital expenditure Covidends Development Advanced Sampling results: Sampled Channel width	552 8 521 1 333 (268) 7 456 2017 5 439 2 850 8 043 8 863 1 854 717 238 5,5	489 8 678 2 208 2 202 4 218 1 575 1 976 1 730 775 252 4,7	31 7: 6 33 (22 25 64 5 11 20 5: 9 99 10 33 20 3- 7 21 3 11 24
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Financial results Working profit — gold mining	562 8 521 1 333 (268) 7 456 2 017 5 439 2 850 8 043 8 863 1 854 717 2 38 5 5,5 1 310	489 8 678 2 208 4 470 2 522 4 218 1 575 1 976 1 730 775 252 4,7 1 179	31 77 6 33 17 6 35 17 6 35 17 7 21 3 11 22 3 1
Financial results Working profit — gold mining	552 8 521 1 333 (266) 7 456 2 017 5 439 2 850 8 043 8 863 1 854 717 236 5.5 1 310	489 8 678 2 208 4 470 2 522 4 218 1 575 1 976 1 730 775 252 4,7 1 179	31 77 6 33 17 6 35 17 6 35 17 7 21 3 11 22 3 1
Financial results Working profit — gold mining	562 8 521 1 333 (268) 7 456 2 017 5 439 2 850 8 043 8 863 1 854 717 238 5,5 1 310 June 1993, bass	489 8 678 2 208 4 470 2 522 4 218 1 575 1 976 1 730 775 252 4,7 1 179	31 77 6 33 17 6 35 17 6 35 17 7 21 3 11 22 3 1
Financial results Working profit — gold mining Mor-mining income Prospecting expenditure Stores realization adjustment Profit before trustion Taxation Profit ster itscation Capital expenditure Dividends Development Advanced Sampling results: Sampled — m Channel value — gh Channel value — gh Channel value — gh Core reserves The lotal fore reserves at all mines at 30 diogram, are estimated as follows: Torrings — 1 Stoping width — cm	552 8 521 1 333 (266) 7 456 2 017 5 439 2 850 8 043 8 863 1 854 717 236 5.5 1 310	489 8 678 2 208 4 470 2 522 4 218 1 575 1 976 1 730 775 252 4,7 1 179	31 77 6 33 17 6 35 17 6 35 17 7 21 3 11 22 3 1
Financial results Working profit — gold mining	552 8 521 1 333 (268) 7 456 2 017 5 439 2 850 8 043 8 863 1 854 717 238 5 5 1 310 June 1993, base 754 900 319	489 8 678 2 208 4 470 2 522 4 218 1 575 1 976 1 730 775 252 4,7 1 179	2.2 31.7 25.6 25.5 5.1 20.5 9.9 10.3 20.3 20.3 3.1 22.3 3.1 24.3 1.2 25.3 20.3 20.3 20.3 20.3 20.3 20.3 20.3 20

Lording Gold Mines, Lid issued capital; 16 366 986 shares of R1,00 each 1 294 000 4 521 3,5 120,23 118,86 0,37 34 413 34 307 106 155 579 155 104 475 414 000 1 384 3,3 170,23 118,00 (7,77) 32 874 35 297 (2 323) 45 636 48 851 (3 215) 123,12 17,69 36,710 32,097 4,813 66,042 57,743 8,299 R000 (3 215) 305 1 085 475 1 209 3 277 1 101 9 567 158 (1 625) 166 5 021 Profit/(toss) - no socation payable ... 9 400 (1 891) 1 857 3 249 B 245 106 1 963 3 269 <u>B 407</u> 3 635 3 229 \$ 830 122,4 1 117 328 108 11,3 1 221 Total - all reeds 536 1 752

On 18 July 1993, the Minister of Minister and Energy Affeits approved on application to permission to work on Sundays for a further period of eighteen months, as from 15 July

The Segndal regults include results of hedging transactions. In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 30 June 1893, borrowings totalled R3 792 000 (1992: R4 150 000), of which long-term borrowings amounted to R3 572 000 (1992: R3 799 000) and short-term to R220 000 (1992: R441 000).

forward price per kg sold Capital expanditure

Quadramatic

NEWS DIGEST

shares at 4% premium

SHARES in Quadramatic, the coin bandling and optical group, ended their first day's trading yesterday at 128p, a 4 per cent premium to the flotation price of 123p.

The placing and intermedi-

ates offer valued the Oldhambased company at £36.4m. It raised about £20m to pay off debt, and 25 per cent of the over of more the shares on offer went to retail first 12 months. investors.

Ocean Group to expand in Spain

Ocean Group, the industrial and distribution services company, is to build an £18m auto-mated distribution centre near

Ocean said the 22,000 sq m

The announcement coincides

ralta, McGregor Cory's Spanish subsidiary, to distribute detergents and household cleaning products in Spain.

Ocean said it believed that
the Barcelona development

would be the first multi-client facility of its kind in Spain. As well and Procter & Gamble, It would distribute for a oumber of McGregor Cory's Spanishbased customers, including Mars Effem, Pryca and

The facility is expected to begin operatioos in autumn next year and generate turnover of more than £10m in its

BZW Securities

Barcelona. facility would significantly strengthen its position as a dis-tributor on the Continent through McGregor Cory, its specialist subsidiary.

with the award of of a six-year, multi-million pound contract by Procter & Gamble for Ser- 5.15pm today.

auctions shares

BZW Securities is auctioning some 1.7m Johnson Matthey shares which it agreed to huy as a result of its cash offer for the precious metals group's

enhanced scrip dividend The shares are heing sold through a strike price auction, which will be open to member firms of the London Stock Exchange and to institu-

tional clients of BZW Securities. Bids must be received hy

DIVID	ENDS	ОИИА	UNCEL)	
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
swayfin	0.27	Oct 29	0.34	0.51	0.58
itral MotorInt	1	Oct 1	1	-	4
ling indsfin	0.65	Oct 11	ત્તા	0.65†	0.3
spect Indisint	0.275	Aug 23	0.25	-	0.75
ance Sec §fin	3.4	Oct 5	3.4	4.5	4.5
Indrew Tstint	2.7	Oct 1	2.7		7.55
int	2.533‡	Oct 15	2.075	-	8.e

Cer Mai Pro Rei St / SB

*Equivalent after allowing for scrip issue, †On increased capital. §USM stock, ‡Second interim; makes 5.066p to date. **BOARD MEETINGS** TODAY £3.4m and reduction of share

BURFORD HOLDINGS has been accepted in respect of 98.7 per cent of the recent rights. Subscribers have been procured for the balance. HODDER HEADLINE has

achieved a 93.8 per cent take up of its rights issue at 240p and subscribers have been procured at a premium for the remainder. QUICKS GROUP: Applications

for open offer have heen received in respect of 3.5m new ordinary (53.56 per cent). The 3.03m shares not applied for will be allotted at 145p each to those institutional investors with whom the new shares had been conditionally placed.

nection with acquisition of Spi-SUTCLIFFE SPEAKMAN has completed the disposal of Seyfried. This company's net indehtedness to other group

members as at completion was 2521,000 and group net indebt-edness had been reduced by £482,000 as a result of the sale. TNT has completed the sale of its Sealand Transport subsidiary to Malcolm Owen, general SERIF: Proposals relating to manager of National Commercapital reduction from \$8.5m to cial Services.

premium account by £351,361

have become effective. Nomi-

nal value of shares is now 10p.

SMITH (DAVID S) open offer accepted in respect of 89.6 per cent. Fund raising was in con-

Mining companies' reports - Quarter ended 30 June 1993 **AlsinolizasetsinoH** Gold Mining Co Lid Issued Capital: 112 000 000 shares of 10 cents each 3 065 000 26 872 B 939 292,79 235,74 57,05 32,900 25,489 6,411 227,208 182,936 339,13 238,87 100,26 295,33 236,98 56,35 33 685 97 874 26 748 11 226 263 504 185 603 77 901 1 887 000 3 267 1,87 65,67 21,65 44,02 33,344 10,982 22,352 32,377 1,61 61,02 22,06 38,96 31 987 11 565 20 422 28 437 10 281 18 156 12819 10 673 771 258 83 705 0,11 R000 235 939 Working profit — gold mining (Loss) from sales of uranium oxide and sulphuric acid 99 605 (1 041) (1 302) 4 888 19 659 246 455 478 2 104 1 000 Profit before taxabon and 244 354 65 534 103 796 99 112 47 652 29 121 Profit after texestion and 56 144 145 242 32 938 10 731 5 633 140 507 8 067 63 161 26 800 Sampled Channel width 6 072 31,8 1 435 0,56 25,21 The total are re-127 12,3

Hartebeestfontein Gold Mining Co Ltd (continued)

30 June 1994 30 June 1995

R.A.D. Wilson

Director: FLAD. Wilson (Chairman). Alternate glappion: B.J. Funation

ots at 30 June 1993 are estimated at R3 656 000 For and on behalf of the board R.A.D. Wilson Directors J.J. Geldenhuya Directors, R.A.D. Wilson (Cherman), P.J. Esstace, J.J. Geldenhuys, S.E. Hersov D.M.S., Hon. (J.D. B.J. Lawrencon, Citys & Mencel, J.E. Oshfer, G.J. Robbertes, S.W. van der Coff Alternate effectors, B.D. Abbott, B.J. Function, C.M. Mightsby, T.V. Spirither 为1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,1940年,19

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A CONTRACTOR OF THE PARTY OF TH

Shareholders are reterred to the announcement by the Company, desid 23 June 1993, published in various South African newspapers under the heading, "On-mine violence". Although the saures raised in the announcement have not yet been resolved, production has to date not been affected.

Carlsberg-Tetley deal with Eldridge Pope

CARLSBERG-TETLEY and Eldridge Pope are forming a trading alliance designed to widen distribution and boost market share of their beer

Under the agreement, Carisberg-Tetley - created earlier this year from the merger of the UK brewing operations of Carlsberg and Allied-Lyons - will become the principal supplier of lager, led by the Carlsberg and Castlemaine brands, to

It will also acquire the Dorset-based brewer's beer wholesaling business for £5.8m, giving it access to other free trade pubs and further strengthening its position in the Wessex area. The operation last year made a profit of £425,000 on turnover of £8.2m.

Regional distribution of the combined portfolio will be handled by Eldridge Pope from Dorchester. Carlsberg-Tetley's depot in Bournemouth will close at the end of the year. Carlsberg-Tetley will sell Eldridge Pope's Thomas Hardy and Royal Oak cask ales as part of its national portfolio elsewhere in the country and will sign e three-year production contract

with the Dorchester brewery. The Dorset brewer is to strengthen its own sales team to expand sales to wholesalers, including other brewers, retail pub groups and the take-home

Eldridge Pope's wholesale wine operations will continue to supply customers throughout the country but Carlsberg-Tetley will distribute The deal should help to consolidate

Eldridge Pope's recovery from costly hotel and computer ventures. Mr Christopher Pope, chairman, said yesterday that the company's objectives were to become a leading pub retailer, develop its brands nationally and expand its wine wholesaling.

This alliance gives us the opportunity to move forward on all three fronts at once", ha stated.

Funds from the sale of the beer wholesaling operation would be used pubs and possible expansion of the

Mr Don Marshall, Carlsberg Tetley's managing director, said the alliance would strengthen sales and distribution of the company's brands m more than 550 outlets in the Wessex region and offer cost savings from the merged operations.

Shares in Allied-Lyons closed 3p up at 548p while Eldridge Pope shares, quoted on the USM, gained 5p to 104p.

St Andrew Trust lifts net assets 15%

ST ANDREW Trust the smaller companies trust now controlled by the Ecclesiastical Insurance Office, reported a net asset value of 287.2p per share as at June 30.

Mr David Ross Stewart, chairman, said: "The rise in net asset value per share of over 15 per cent [against the year-end value of 249.5p] is a welcome vindication of our faith in smaller companies. Year-on-year net asset value

sbowed an increase of 26 per Attributable revenue at this Martin Currie-managed trust dipped to £1.21m (£1.22m) for

the six month period. The

chairman added: "Our revenue well despite a general slowsignificantly lower interest rates on our cash deposits".

Tha trust's Japanese portfolio expanded by more than 50 per cent over the period and "good moves from other Far East markets fully justified our international stance", he

Ovarseas investment currently accounts for almost 32 per cent of the portfolio.

The interim dividend is maintained at 2.7p, payable from earnings of 3.51p (3.56p)

Jacques Vert chiefs sell share parcels

Mr Jack Cynamon and Mr Alan Green, joint chairmen of Jacques Vert, the fashion company, have each reduced their stake to 26.3 per cent of the

According to Ms Denise Williams, company secretary, the sales were made to "increase marketability" She believed there may have

heen an approach from one of

the institutions to buy the Each sold 250,000 shares - a 2.6 per cent stake - at 109½p to raise £250,000.

in the market yester-day the shares rose 1p to

EFM seeks £50m for smaller companies investment trust director of KFM, said: "We now

By Scheherazade Daneshkhu

EDINBURGH Fund Managers, the international fund manage ment group, yesterday announced the launch of EFM Small Companies Trust to take advantage of what it believes is a favourable economic climate for investment in the sector. The trust aims to raise £50m

through a placing and public James Capel, broker to the launch, has already placed £37.5m from directors and institutions and is seeking another £12.5m through the tal structure of 50m ordinary shares with one warrant attached to every five shares, at 100p each. Each warrant will give the

shareholder the right to sub-

scribe to one ordinary share at 100p in any year from 1994 to The public offer begins today and closes on August 11. Dealings in the shares are expected

to start on August 19. investment will be in companies with a market capitalisation of £100m or less, and returns will be measured against the Hoare Govett Smaller Companies Index

which this new company can take advantage."
He believes that small companies were undervalued while sentiment towards them was

believe that the economic climate for investment in small

companies will produce some

excellent opportunities of

EFM already has a small companies unit trust, with £78.3m under management at the beginning of July.
This has regularly been top

or within the top five performing funds in the sector in the 10 years to July 1, according to

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POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

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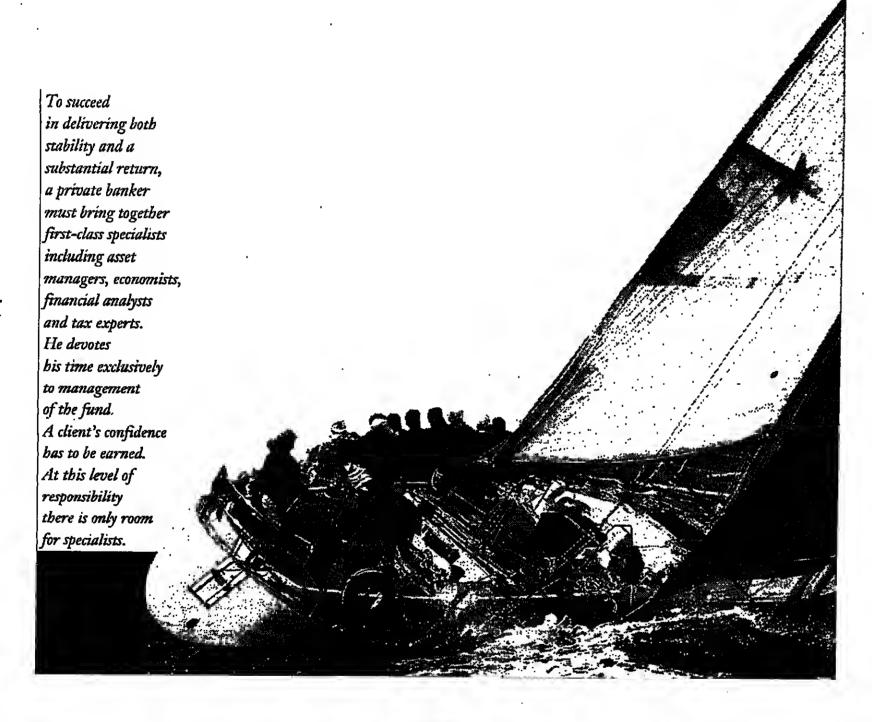
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To the Holders of Stichting Restructured Obligations Backed by Senior Assets 2 (ROSA2)

Senior Assets 2 (ROSA2)

Pursuant to the Indenture dated as of January 10, 1992, between the Parent and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Pariod July 15, 1993 through October 14, 1993, the rates applicable to the Secured Senior Floating Rete Notes and Secured Senior Subordinated Floating Rala Notes are 3,9625 and 4,6625 respectively.

..... Warnford Investments

PLC Highlights from the Chairman's Review.

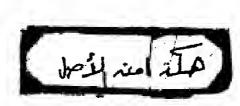
Gross incoma amounted to £12.08 million.

Dividand for the year 7.50p (1991 7.25p).

Total resarves of tha Group amount to £92 million. Group properties

have fairly high occupancy levels.

Confidence in maintaining satisfactory profits for the foreseeable future.



Marling cuts deficit to £9.6m

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IN A husy period of restructuring and rationalisation, Marling Industries reduced pre-tax losses from £27.9m to £9.6m in the year to March

The new management team, led hy chief executiva Mr David Abel Smith since January 1992, has been refocusing the group on its core activities of safety helt webhing and industrial textiles.

It has engineered the real reduction of employee numbers across the group hy 25 per cent to 678 jobs; it has com-pleted the planned disposal programme with yesterday's announcement of the sale of Murtra Group, its principal ses, for a nomi-

nal Pta1; and has simultaneously moved the group into a new, though related, product area with the DM7.4m (£2.9m) acquisition of Müller Group. Müller, which is based in

central Germany, makes elasti-cated products for the "grow-ing" incontinence products market as well as sports ban-dages and knitted elastic Tha cash acquisition is being

fundad by a 1-for-10 rights issue of up to 16.1m new ordinary shares at 19p apiece. This is the second cash call in a year - the first was for £18m to fund restructuring. As part of the purchase Marling is to refinance DM10m of Müller's debt at 7.25 per cent (currently 10.75 per cent). Earlier in the year Boalloy.

its managers, and the automo-tiva safety airbags joint ven-ture has been sold to Electrolux Autoliv, Marling's partner. Yesterday the group finished clearing the decks with the dis-

posel of Murtra. Mr Abel Smith cited other UK companies withdrawing from Spain -Amstrad and British Vita and explained that the Spanish economy had collapsed since the Barcelona Olympics. Marling had already largely reorganised Murtra, hut it would have still needed "significant cash injections". It was the poorest performing part of

the commercial vehicle body

maker, was sold to certain of its managers, and the automo-

the group, incurring operating losses of £1.7m and a deficit of £2.6m before tax. Marling stands to gain deferred consideration of up to £1.5m depending on its future profitability. Mr William Rollason, finance director, pointed out that Marling's earnings per share from the continuing businesses — axcluding Murtra and "non-operational items" (£581,000 on

the sale of a German property, £6.32m provisions for the Span-

ish operations, and £1.4m for

Boalloy) - were 1.54p, against losses of 11.3p last time. Under the same calculations,

turnovar grew to £54.7m (£52.3m), operating profits were £4m (losses £1.6m) and pre-tax profits amounted to £2.1m after interest payable of £1.9m

He added that as the cost reductions from productivity and efficiencies started to take effect, the operating profit margin improved to 7.4 per cent. However, the official figures,

compiled on an FRS 3 basis, show that turnover declined from £102.7m to £79m, with continuing operations contributing £73.4m (£74.8m). Total operating profits amounted to £2.09m (losses £6.4m): here continuing operations pitched in £2.37m (losses £2.46m). Interest payable took £2.98m

(£3.47m). Borrowings before the Murtra sale were £15.8m and, after losing its £3.1m debt, gearing will stand at 69 per cent. Losses per share were 7.8p (69.55p). On the basis of continuing

contract gained. operations, a final and only dividend of 0.65p is proposed

waits for

ted, from £787,000 to £1.24m in the six months to March 31. Traditional seasonality was

industries. For the previous 12 months to September 30 it made pre-tax profits of £4.44m. Turnover in the balf year jumped from £14.7m to £22.1m, and orders books were in excess of £75m, against £25m last year. The winning of

Losses per share came to

Anglian Water links to exploit US privatisation

ANGLIAN WATER is to form a joint venture with American Water Works, the largest water utility in North America outside government hands, to exploit privatisation of municipal waste water services in the

The move follows establishment of a similar venture between Yorkshire Water and an Indianapolis-hased water

Both joint ventures have

begun the process of tendering to operate two large wasta water, or sewage plants, for the municipality of Indianapolis. Together with Lyonnais des Eaux-Dumez and Générale des Eaux, the two French groups

which are also tendering, the European water companies are exploiting an opportunity that has arisen since the US Environment Protection Agency decided to experiment with limited privatisation.

The European water industry believes it is significantly more efficient at running sewage plants than the US municiUK industry estimate suggests the Indianapolis plants could be operated with half their current staff lavale

If the limited experiment with privatisation is rolled out to other US cities, European water companies could be well positioned to carve out a significant market share. UK industry executives said.

mitially, the US municipalities will be seeking tenders to operate their plant. Full priva-tisation will have to wait longer. Federal law currently pre-vents the sale of assete, like many of the municipal water treatment plants, that were built with substantial Federal grant assistance.

Mr Chris Mellor, finance director of Anglian, the UK's largest privatised water company, said his joint venture would saak operating and maintenance contracts and opportunities to control waste water systems in the US.

Anglian and American are each paying \$100,000 (£67,000) into the venture to fund working capital needs of what will \$2360,000 cash.

pany.
Following criticism of diversifications made by other pri-vatised water companies, Mr Mellor stressed that Anglian

was not divarsifying hut expanding into a related area. He said American Water had only limited experienca in waste water and Anglian had no experience of operating in the US. The two were therefore

a natural fit. US privatisation presented substantial export opportunities, Mr Mellor said. American Water Works owns 125 water utility systems in 20

states, has assets worth £1.5bn and annual revenues of £430m.

New site for Malaya

Malaya will open its first multi franchise site in London in August. The retail motor group acquired the showroom, in

Bow, for £1.2m in May. It has also exchanged con-tracts for the sale of its vacant slte at Billingshurst for

Brasway falls to £0.8m despite cost cutting

AFTER A period of cost cutting and structural change. pre-tax profits of Brasway showed a sharp decline, from £1.25m to £776,000, over the

year to May 1. The result was bolstered by an exceptional profit of £751,000 on the sale in April of Brasway Tube, which incurred a loss of £167,000 over the

Group turnover fell £3.5m to The company said that of this decline £2.5m was accounted for by Brasway

Mr Mark Swaby, chairman, said that despite the disappointing figures a final divi(0.58p) for the yaar, payable from earnings per share of 0.69p (1.15p). Following the disposal of the Brasway Tube husiness tha group acquired Winster Hose for B sum not exceeding

dend of 0.27p is proposed. This will make a total of 0.51p

£2.41m. Winster, which makes hoses, couplings and assemblies for the mining, agriculture and construction industries, will be integrated with the group's

Europower husiness. Mr Swaby said that after the restructuring the balance sheet remained healthy, with gearing of 33 per cent at the end of

Ratification for Heron refinancing

Heron Internstional, Mr Gerald Ronson's property and trading group, had its £1.4bn refinancing plan ratified by the court in Curacao, Nether-

lands Antilles. Last week the scheme was ratified by the Netherlands court in The Hague.

The plan still has to be rati-fied by the UK courts, although it was approved by a substantial majority of creditors. Five of them, owed a total of \$42m (£28m), are attempting to oppose the scheme. Hearings are due to begin next Monday.

National Power withdraws from

from other partners in the project that it will recover its development costs. National Power announced

last October that it was tovesting \$20m to \$30m (£13.3m to £20m) for a 10 per cent stake in the venture with Malaysia's YTL. However, the company said yesterday it did not think it was correct to proceed.

BROMSGROVE Industries & Whitney F100 engine. yesterday announced an acquire Initially the contra sition in the US for \$3.5m (£2.33m) in cash and loan notes, and new orders which reflected its investment in spe-

cialist niche markets.

and gas extraction industry. ple and in its last financial year recorded turnover of \$3m.

Malaysian deal

National Power has pulled out of a joint venture to construct and operate two gas fired power stations in Malaysia.

It has received assurances

Bromsgrove expands in **US** and wins new orders

The acquisition is of the Montgomery Group, B Houston-based precision machinist servicing the international oil

Montgomery employs 25 peo-A subsidiary, Thornton Precision Forgings, is to snpply compressor-vanes for the Pratt

Initially the contract is worth \$200,000 and is Thornton's first significant US mili-

tary order. Rover Group has transferred the casting of 16 engine components to BSK Aluminium, the Droitwich-based company.

Initially worth £450,000 annually, the contract could be worth £750,000 if machining was brought in-house. BSK has also won orders, potentially worth up to £2.8m

per year from 1994, for component supply to vehicles not yet officially announced.

Interest costs restrain Central **Motor Auctions**

Higher interest charges offset cost cutting and improved operating efficiencies at Central Motor Auctions in the half year to April 30, and profits before tax declinad from £432,000 to £347,000. Auction proceeds fell from

£152.8m to £144.2m hut profits at the operating level expanded by 49 per cent, from £359,000 to £536,000. The previous period included

£185,000 from disposal of fixed Earnings per share worked through at 1.81p (2.7p) and the mterim dividend is maintained

Dwyer's £12m sale cuts into borrowings

Dwyer, the property investment and trading group, has contracted to sell a portfolio of seven freehold properties to Frogmore Estates for £12.3m cash.

This will reduce borrowings by £10.8m and, with the other sales effected in the year, will cut gearing to 48 per

The portfolio comprised three retail, three office, and one mixed use investment. It had B book value of £13.9m and produced gross rents of 21.28m. Net rental income from the remaining portfolio will be £2.2m a year.

Elonex down to £6.83m despite increased sales

By Paul Taylor

ELONEX, the privately-owned personal computer manufacturer, reported lower full-year profits despite a 35 per cent increase in turnover.

Pre-tax profits in the year to April 30 slipped from \$9.08m to £6.83m on turnover which increased from £57.8m to

Mr Michael Spiro, finance director said: "Last year was generally a difficult period for the UK computer industry with deepening recession, B price war intensified by

cheaper product ranges from the multinationals, and a 25 per cent fall in the value of

sterling. While many of Elonax's rivals in the fiercely competitive PC market have reported heavy losses, and in some cases have disappeared, be said Elonex had "managed to hold its own in tha marketplace."

Despite the downturn in profits the company, which hed nat current assets of 513.3m (£10.5m) and capital and reserves of £17.5m (£12.4m) at the end of April, still plans a flotation "in due course."

second half

PRE-TAX losses at Prospect Industries increased, as expecexacerbated by recent acquisi-tions, said Mr Philip Wilbra-ham, chairman.

Fnll-year figures would encompass the benefit of the Davenport purchase and the main trading period of Dunn International, and the interim dividend is lifted to 0.275p (0.25p) to reflect expectations for the second half. The group provides special-ist engineering services to the power generating and process

the turnkey repair and maintenance contract at Ferrybridge Power Station by Dunn was probably the most significant

0.56p (0.47p).

INFORMATION FROM THE BANK OF ENGLAND



ISSUE OF £3,250,000,000

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1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office (CGO) Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinane legislation. Transfers will be free of stamp duty.

7. The Stock and the interest payable thereon will be exempt from all United Kiogdom taxation, present or future, so long as it is shown that the Snock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

8. Further, the interest payable on the Stock will be exerupt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

10. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign O ividends, Inland Revenue, Lynwood Road, Thannes Ditton, Surrey, KT7 0DP.

Inland Revenue, Lynwood Road, Thames Ditton, Surrey, KT7 ODP.

11. These exemptions will not entitle a person to claim repayment of tax deducted from interest naless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Manugement Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any componention for traxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or famre, of the United Kingdom directed to prevanting avoidance of manusco by persons denticled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, the falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

12. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bid by telephone to the Bank of England not later than 10.00 and on Wednesday, 28 July 1993.

July 1993.

13. Application forms must be sent to the Bank of England, New Issues, PO Box 444. Gloucester, GL1 1NP to arrive out later than 18.00 AM ON WEDNESDAY, 28 JULY 1993; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than 10.00 AM ON WEDNESDAY, 28 JULY 1993; or lodged by hand at any nf the granches or Agencies of the Bank of England not later than 3.30 PM ON TUESDAY, 27 JULY 1993. Bids will not be revocable between 10.00 am on Wednesday, 28 July 1993 and 10.00 am on Monday, 2 August 1993.

Each competitive hid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:

5. Interest will be payable half-yearly on 6 May and 6 November. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. Interest will accrue from Thursday, 29 July 1993 and the furst interest payment will be made on 6 May 1994 at the rate of £4.5222 per £100 of the Stock.

6. The Stock may be beld on the National Savings Stock Register.

3. The Stock will be repaid at par on 6 November 2001.

Balance of purchase money:

with a competitive bid with a non-competitive bid

£40 per £100 nominal of Stock payable on 6 September 1993 £40 per £100 nominal of Stock payable on 11 October 1993

The Bank of England reserve the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full AT A PRICE (the non-competitive sale price) EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.

If the non-competitive sale price is less than £100 per £100 nominal of Stock, the amount by which the amount paid on application exceeds the non-competitive sale price less £80 per £100 nominal of Stock will be refunded by cheque despatched by post at the risk of the applicant.

If the non-competitive sale price is greater than £100 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the smount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The desputch of allotment letters to applicants from whom a further payment is required will be delayed until such further payment has been made.

The Bank of England may sell to applicants less than the full amount of the Stock.

17. The Stock will be initially issued to the Bank of England at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding ½% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of such Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

will not represent taxable income for the purposes of the relevant provisions.

18. Letters of allotment in respect of the Stock sold, being the only form in which the Stock (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be desputched by post at the risk of the applicant, but the despatch of any letter of allotment, and any refund of the balance of the amount paid on application, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer no right on the applicant in transfer the Stock so allocated.

19. No sale will be made of a less amount than \$1,000 nomical of Stock. If no

19. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the balance of the amount paid on application will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be

Letters of allotment may be split into denominations of multiples of £100 written request to the Bank of England, New Issues, Southgate House, uthgate Street, Gloucester, GL1 1UW received not later than 7 October 1993. Or requests must be signed and must be accompanied by the letters of allotment at a letter cannot be split if any payment is overdue).

(but a letter cannot be split if any payment is overdue).

21. Subject to the provisions governing membership of the CGO Service, a member of that Servior may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 29 July 1993 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 29 July 1993 shall for the purposes of this prospectus constitute default in due payment of the amount payable on application In respect of the relevant Stock. A member of the EGO Service may also, subject to the provisions governing membership of that Service, strengther a partly-paid letter of allotment to the CGO for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to such Stock as if that member were the holder of a letter of allotment and be tiable for the payment of any amount due in respect of such Stock. A member will be entitled at any time prior to registration to withdraw, in multiples of £100, Stock credited to the member's account and to obtain a partly-paid letter of allotment comprising such Stock, and such member shall be liable for the payment of all amounts becoming due thereafter in respect of such Stock unless and until that letter of allotment is surrendered to the CGO for cancellation as aforesaid.

22. The Stock will be issued and sold partly-paid, with a call of £40 per £100 exercited. enter of alloment is surrendered to the CGO for cancellation as aforesaid.

22. The Stock will be issued and sold party-paid, with a call of £40 per £100 nominal of Stock payable on 6 September 1993 and a final instalment of £40 per £100 nominal of Stock payable on 6 September 1993 and a final instalment of £40 per £100 nominal of Stock payable on 11 October 1993. Payment of the call and the final instalment must be sent to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW. Payment in full may be made at any time after sale but on discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling (*LIBOR*) plus 1% per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render such Stock and any amount previously paid liable to forfeiture. Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 11 October 1993; in the case of Stock held for the account of members of the CGO Service payment as the call and the final instalment and registration of Stock will be effected under separate arrangements.

23. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 IUW; at the Central Gits Office, Bank of England, 1 Bank Buildings, Princes Street, London, BC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or or any office of the London Stock Exchange in the United Kingdom.

Government Statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May
1985 which explained that, in the interest of the orderly conduct of fiscal policy,
neither Her Majesty's Covernment nor the Bank of England or their respective

servants or agents undertake to disclose tax, changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

Price bid less £80 per £100 nominal of Stock

£20 per £100 nominal of Stock

APPLICATION FORM TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 20 July 1993 as follows:

FOR COMPETITIVE BIDS ONLY
fle for Stock to be purchased at the price bid)
Nominal amount of
7% Treasury Stock 2001 applied for:
Amount of Stock applied for Multiple
£500,000-£1,000,000 £100,000
£1,000,000 or greater £1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1: Amount of initial payment enclosed (a), being equal to the price bid LESS 280 for every £100 NOMINAL of Stock applied for:

FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-con
defined in the prospectus)
Nominal amount of 7% Treasury Stock 2001
applied for, being a multiple of £1,000, with a
minimum of £1,000 and a maximum of £500,000
nominal of Stock:
Amount of initial payment enclosed (a), being £20
(b) for every £100 NOMINAL of Stock applied
for:

FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER......

Name of contact.

I'We undertake to pay the balanor of the purchase money when it becomes due in respect of any Stock which may be sold to mehas under this application, as provided by the prospectus.

I'We request that any letter of allotment in respect of Stock sold to mehas be sent by post at my/our risk in meha at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I'we warnant that in my/our knowledge this is the only non-competitive application made for my/our benefit (ar for the benefit of the persons on whose behalf I annive are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE COO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the Central Gilts Office, Wa hereby irrevocably andertake to accept such Stock by member-to-member delivery through the Central Oits Office Servior from the Governor and Company of the Bank of England, Number ? Account (Participant number 5183) by the deadline for such deliveries on 29 July 1993, and we agree that the consideration to be imput in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

PLEASE USE BLOCK CAPITALS FORENAME(S) IN FULL | SURNAME COUNTY POSTCODE

A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues". In respect of competitive bids, cheques must be drawn on a branch or office, sinuated within the Town Clearing area, of a settlement member of CHAPS and Tawn Clearing Company Limited. In respect of non-competitive bids, cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The procedure for any refund, or further amount payable, is set out in the

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND.
NEW ISSUES, PO BOX 444, GLOUCESTER, GLI INP TO ARRIVE NOT
LATER THAN 10.00 AM ON WEDNESO AY, 28 JULY 1993; OR LODGED
BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND,
BANK BUILDINGS, 19 OLO JEWRY, LONDON NOT LATER THAN
10.00 AM ON WEDNESDAY, 28 JULY 1993; OR LODGED BY HAND
AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF
ENGLANO NOT LATER THAN 3.30 PM ON TUESOAY, 27 JULY 1993.

(ii) Unless the applicant is a member of the CGO Service, a separate cheque representing the PAYMENT DUE ON APPLICATION, Le. THE PRICE BID LESS £50 FOR EVERY £100 NOMINAL OF STOCK BID FOR, must accompany each competitive bid. Cheques must be drawn on a branch or office, situated within the Town Clearing erea, of a settlement member of CHAPS and Town Clearing Company Limited.

14. COMPETITIVE BIDS

Amount of Stock applied for £500,000-£1,000,000 £1,000,000 or greater

(iii) The Bank of England reserve the right to reject any competitive hid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decide that any competitive bid should be accepted (the lowest accepted prior). APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID competitive bids which are accepted and which are made at orders above. competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only. NON-COMPETITIVE BIDS

A non-competitive bid trust be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock. Only one non-competitive bid may be submitted for the benefit of any one person. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing a PAYMENT AT THE RATE OF 220 FOR EVERY 2100 NOMINAL OF STOCK APPLIED FOR must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

last accord. Opec's overall ceil-

ing is 23.6m barrels a day but

the flow of members' oil is

helieved to have reached

between 24.3m b/d and 24.5m

stick to their quotas from

oil demand picks up for sea-sonal reasons, which makes

the timing of any Iraqi oil deal

organisation room to accom-

modate some 500,000 h/d from

Iraq as well as higher Kuwaiti

output, as long as the other member countries keep produc-

tion within their current

The real haggling for Opec will come if the Iraqis win

agreement for an earlier return

to the market. That could

result in other member coun-

tries having to cut their exist-

ing output if they wanted to

crucial.

Towards the end of the year

Nickel prices crash to 6-year lows as stocks rise

NICKEL PRICES crashed to fresh six-year lows on the London Metal Exchange yesterday as stocks reached a record.

Metal for delivery in three months fell through the \$5,000a-tonne level to close down \$109 at \$4,913.50 a tonne, equivalent to \$2.23 a lb. Stocks in LME warehouses rose by 1,322 tonnes to 97,104 tonnes. Mr Angus MacMillan, of Bil-

liton Enthoven, part of the Royal Dutch/Shell group, said that the fall reflected "a combination of ever-worsening fun-

The first half had seen strong consumption of nickel hy the stainless steel industry, tight supplies of stainless steel

scrap and less metal exported from the CIS. This led to a draw-down of LME stocks in June, which fell from 96,000 tonnes to 85,476 tonne at the

LIME WAREHOUS (As at Monday's o tornes		
Aluminium	+1,500	to 1,922,100
Copper	-100	to 456,725
Lead	+1,625	to 265,550
Mickel	+1.332	to 97, 104
Zino Zino	+400	to 706,500
Пл	-10	to 20,415

beginning of this month. But exports from the CIS had resumed just as stainless steel scrap was becoming readily available, said Mr MacMillan. "The downward pressure will be maintained," he predicted. We are heading for 100,000 tonnes of stocks this autumn."

with Rudolf Wolff, said the market had been looking to trade down.

"There's not an awful lot of optimism around at the moment," he said, putting support at \$4,800 a tonne for threemonth metal.

· Lead prices held steady after overnight news that Doe Run's lead smelter at Herculaneum, Missouri had ceased production over the weekend because of the flooding of the Mississippi river. Analysts told the Reuter news agency that other lead mining and refining facilities in the area might be threatened by the floods, although they are not as near to the river as the Hercula-

largely on the quality of farm

services support provided to

the growers by the companies,

which must be ready to buy oil

palm fruits at "remunerative

Initially, however, the com-

panies will need financial

assistance from the govern-

ment, which believes that oil

palm plantation on a large

scale could make the country

self reliant in edible oil and

also release some high value

oils like sunflower for export.

The government is consider-

ing the imposition of a levy on

the vegetable oil industry to

finance the support of oil palm

Oil palm is the highest yield-

ing oil plant, with the produc-

tivity ranging from three to

cultivation.

India aims for palm oil boost

ministry.

tion by an expert committee

constituted by the agriculture

Andhra Pradesh and Karna-

taka, the two southern states,

emerge as the most important

to promote oil palm plantation

in Andhra Pradesh. ITC, whose partner in the venture is Kum-

pulan Emas of Malaysia, has

already been allocated 20,000ha

by the Andhra Pradesh govern-

ment. It will eventually have

100,000ha under oil palm. Both

companies are importing seed-

lings from Papua New Guinea

cials, the success of oil palm

According to industry offi-

to set up nurseries.

By Kunal Bose in Calcutta

ITC AGRO-TECH and Mac Industries are among a group of companies who, encouraged each with e potential to grow oil palm over 250,000ha will by the federal government, plan to build integrated palm oil complexes in India. For technologies to promote centres for the crop. ITC and Mac have taken the first steps

oil palm plantation and set up crushing and refining factories they are turning to Malaysia, the world's largest producer of palm oil and India's most important supplier.

During the present five year plan period, which ends in 1996-97, the official target is to have at least 80,000 hectares (195,000 acres) under oil palm. This, bowever, constitutes only a small proportion of the nearly 575,000ha identified as

suitable for oil palm cultiva- cultivation in India will depend

By Kunal Bose in Calcutta

HYDRO ALUMINIUM of Norway has joined Indian Aluminium, an associate of Alcan of Canada and Tata Industries to promote a 1m tonnes-a-year. export-oriented alumina (aluminium oxide) project in the Koraput district of Orissa,

India. Alcan and Alusuisse will

he supplying technology for the project. According to Mr Tapan proposed to get some toll

Mitra, managing director of Indian Aluminium, the Rs22.5bn (£485m) project shoold start production by 1996-97. Nearly 25 per cent of the cost will be in foreign exchange.

Some of the alumina will be

Hydro Aluminium in Orissa project sold in advance to raise finance for the unit. It is also

> The new company to be formed to implement the project will take on leases of hauxite (aluminium ore) mines in Orissa with estimated deposits

smelted into aluminium

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets). ANTIMONY: European free market 99.6 per cent, \$ per

tonne, in warehouse, 1.545-1.595 (1.540-1.590). BISMUTH: European free market, min. 99.99 per cent. S per lb. toune lots in warehouse, 2.25-2.50 (same).

CADMIUM: European free

per lb, 0.45-0.50 (0.44-0.50). COBALT: MB free market, \$ per lh, in warehouse, 99.8 per cent, 12.50-13.30 (same); 99.3 per cent, 10.10-10.80 (9.80-10.50).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse. 105-120 (115-130). MOLYBDENUM: European

free market, molybdic oxide, \$

SELENIUM: European free market, min 99.5 per cent, \$ per lb, in warehouse, 4.70-5.40. TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO₃, cif, 26-38 (27-39).

VANADIUM: European free market, min. 98 per cent. S a lb V.O., cif. 1.30-1.40 (same). URANIUM: Nuexco exchange

COCOA - LCE

Jittery oil market awaits Opec action

18.5

Brent Blend Crude (5 per barrel)

1993

Mr Jean Ping, Gabon's oil

minister and current president

of Opec, set off for Saudi

Arabia yesterday on the first

leg of his tour of the Middle East, where he will be seeking

to build some degree of consen-

sus ahead of the July 28 meet-

ing. But some industry observ-

ers see Opec's moves as little

more than a cynical attempt to

"I'm not sure they have

enough goodwill to take any

decisive action," said Ms

frene Himona, analyst at

Societe Generale Strauss Turn-

hull securities bouse, in

talk up the oil price.

By Deborah Hargreaves

A JITTERY World oil market looked to the Organisation of Petroleum Exporting Countries for action this week to halt the collapse in prices that has been cansed by expectations of Iraq's return to the export market.

But although member countries have agreed to meet in Vienna next Wednesday, their room for manoeuvre is severely limited. The uncertainty surrounding Opec's action and the likelihood of an Iraqi agreement with the United Nations on oil exports will add to price volatility in the coming week.

"ft is very difficult for Opec to do anything, the best they can hope for Is that Iraqi exports hit the market in the fourth quarter when demand will be higher," said Mr Geoff Pyne, oil analyst at UBS in The recovery in oil prices

from a three-year low of \$15.98 a barrel in London on Monday to \$16.71 yesterday bears wit-ness to the market's faith in Opec's ability to deal with the situation. The organisation is at its best when managing a crisis and a collapse in price has in the past galvanised it

seas firms, saying China is not

yet ready for foreign members.

according to official reports,

The exchange's deputy direc-tor, Mr Hu Yuezheng, quoted

by the official China Daily.

said American Express, Merrill

Lynch and Samsung Company

of South Korea had sought

seats on the exchange but were

"The time is not ripe," Mr

Hu said. "We will not rush into

recruiting international mem-

bers, as foreign organisations

have started trading in [the

exchange] through Chinese

Mr Hu said foreign members

could not be recruited as long

as the quality of Chinese metal

lagged behind international

standards, the futures trading

rules did not conform to inter-

national norms and a multi-

currency exchange system was

not in place to facilitate

The Shanghai Metal

Exchange has 55 Chinese mem-

bers serving nearly 1,700 cli-

Trading was active in the

first half of 1993. By the end of

June, turnover had reached

145bn yuan (£16.8bn) - three

times the total for the whole of

refused

members.

High/Low

reports Reuter from Beijing.

Opec has at least achieved a into decisive action. short-term aim of improving

Shanghai rebuffs

Nellore cultivates a taste for seafood

The Indian region is ideal for aquaculture, writes Shiraz Sidhva THE SHANGHAI Metal Exchange has rejected applicathe commerce ministry. "Traditions from several major over-

THE SCORCHING hot under controlled conditions, is

Responding to the growing demand for seafood worldwide, with quick returns on comparatively low investments, several large indian companies. including ITC, the tobacco, agri-products and botels company, the Bombay-based Hindustan Lever and Tata groups, the Delhi-based Thapar group, the Madras-based MRF Tyres and Britannia Biscuits are all entering the lucrative aquaculture market, in Nellore, which has the right degree of salinity in the water and is naturally shielded from the vagaries of the cyclone, 20 semi-intensive. export-oriented units have

global seafood market. The country, with its 7,500km coastline and an estimated 1.2m hectares (3m acres) of coastal area ripe for exploftation by shrimp farmers, has distinct anyantages over its three main competitors, China, Thailand and Indonesia.

China, the world leader in the farmed shrimp market, exports \$1.5bn worth of shrimps a year, 21 per cent of the \$7.2hn global market. To achieve a similar level of production, india would need to develop 90,000 hectares of land for shrimp cultivation - 7.5 per cent of the total land available for shrimp farming - compared with the 27,000ha at present

232.865 lots

Total daily turnover 52,310 lots

Prices supplied by Arraigamated Metal Tracing AM Official Kerb close Coer; Informati

tional methods of aquaculture are still being used, though farmers are realising bow dramatically they can increase their yield by switching to semi-intensive aquaculture. Shrimp exports have increased by 23 per cent in the last four years, and we reckon that total earnings from shrimp exports could touch Rs90bn by the year 2000, taking us to the ton.

Breaking into the fiercely

competitive world market has not been easy, according to Mr Elias Sait, managing director of Alsa Marine and Harvests, a Madras-based aquaculture company, with farms and processing factories in Nellore, Puri and Bhubaneswar in Orissa, Vizag in Andhra Pradesh, Calcutta and Cochin, Alsa Marine, with an export turnover of Rs340m, was one of the first Indian companies to market branded Indian shrimps to the European and Japanese markets, and many other companies are following suit.

At present, however, 95 per cent of India's seafood exports are unbranded, with large consignments being block-frozen. instead of packaged for supermarket shelves.

Indian aquaculture companies, besides looking to mar-

prevent prices collapsing But Opec has had so little success in its past few meetings - with most countries continuing to produce flat-out regardless of their agreed ceilings - that it will be extremely difficult to apportion cuts.

A first step for Mr Ping would be to persuade members After tha mess they made of to improve their performances the last meeting, I don't think on adherence to the existing they would be able to convince quotas. Traders point out that even the hall porter in the Opec countries have mostly Vienna Marriott if they say sold their crude for August and they're cutting back immedi would be unable to cut exports ately," said one trader with a immediately. But they could major oil company. trim production in order to

Other analysts point out that the organisation needs to develop a game plan for dealing with the situation after the return of Iraq to the market, as the \$1.6bn one off sale could be followed by a wider lifting of sanctions.

Fourth quarter demand for "They have no aces up their Opec oil could be as high as 26m h/d, which gives the sleeves, but they need to remove the uncertainty over what they might do when Iraq comes back," said Mr Joe Stanislaw, analyst with Cambridge Energy Research Associates in Boston.

With oil prices having dropped by about \$3 a barrel over the past month, the producers' cartel needs to reach swift agreement on any action it can take to support the market, even if that only involves

foreign traders

oil prices, even though many

buyers are steering clear of the

market until some of the

uncertainty is cleared away. If

the organisation is unable to

follow through with any attempt to staunch the flow of

its own oil and make room for

Iraq in the market, it could

face a price collapse of several

However, its hands will

remain effectively tied until it

knows the terms of any oil

accord reached between Iraq

and the UN. The Iraqi govern-

ment is still considering a draft deal reached last week, but

there are many technical

Oil prices collapsed over the

weekend and fell further on Monday following the Baghdad

government's expression of

willingness to comply with UN

requirements over monitoring

of missile sites. Although this

is not directly connected to the

oil talks it is seen as improving

the chances of agreement

being reached on a \$1.6bn oil

sale to pay for humanitarian

its members are all producing

at more than their current out-

put ceilings and Kuwait is

steadily huilding up its own

production after refusing to

sign on to the organisation's

One problem for Opec is that

details to be clarified.

dollars.

aid.

sun and the treacherous terrain of Nellore in Andhra Pradesh, South India, may be hostile for humans, but is ideal for aquaculture. Here, the cultivation of aquatic livestock like prawns, shrimps, scampi, squid, and lobster, being encouraged by the Indian government to increase

sprung up in the last year

Shrimps accounted for 71 per cent or Rs9.79bn (£210m) of the country's Rs13.73hn seafood exports last year, and could be used to increase India's dismal L14 per cent share in the \$40bn exporter," said an official of kets in Japan, which has been the next year,

WORLD COMMODITIES PRICES

1178.5-8.5 1202-3

LONDON METAL EXCHANGE

Copper, Grade A (5 per torne)

Aluminham, 99.7% parity (5 per torum

1181.5-2.5 1205-6

devoted to that purpose, Other advantages like cheap labour and land costs could

push India to the top of of the shrimp export league from its present 4.5 per cent share of the global market. The Ministry of Commerce's Marine Products Export Development Authority, which promotes aquaculture and runs a 10ha demonstration farm in Nellore, working toward bringing an additional 14,000ha under shrimp farming. "But india will have to cultivate an additional 90,500ha of land to be the world's foremost shrimp

the largest importer of Indian seafood, Europe, the US and the Middle East, are also collaborating with foreign companies to be able to compete internationally. The Madrasbased Aquamarine Food Products, which recently began operations at its fully exportoriented project in Nellore, has marketing tie-ups with seafood distributors Flesta Mart. Reaver Street Fisheries of the US and Itoman, Toyo Kosuisan of Japan to market its branded

[clussia

PULLIFES VAD OA

and bulk products. Sprawling over an area of 160ha, with 132ha of waterspread, in Nellore, Aquamarine's hatchery, farm and processing-cum-packaging unit uses technical assistance from Hanagna International of Taiwan, the leader in aquaculture techniques.

Mr S. Vijaya Kumar, Aqua marine's managing director. said the integrated project cost Rs185.9m, but with a large grow-out area and higher yields per hectare, the business should yield good dividends within a year. "Aquaculine is going to be hig business in the 1990s," he said. He could well be right, with more than 30 Indian companies entering the fray and investing a total of Rs10bn in new projects over

MARKET REPORT

London's robusta COFFEE futures closed firmer but below the day's highs. The market was showing signs that it might be poised to break above its recent range. Roasters appeared to be trying to increase their cover and origins appeared to be cutting sales in the expectation of further gains. Producer talks on a retention scheme were beginning to be taken seriously by the trade after initial scepticism. Brazil, in particular, has been more supportive than some expected, Chicago SOYABEAN futures were sagging at midsession on profit taking, tied

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(S	ep)	+ 01 -
Dubel Brent Bland (dated)	\$14.34-4.34 \$16.53-6.55	-0.08
Brent Blend (Sep) W.7.I (1 pm est)	\$19.58-6.60 \$17.68-7.70	
Oil products (NWE prompt delivery per to	onne CIF	+ 01 -
Premium Gasonna	\$198-185	
Gas Ol	\$158-159	+1.0
Heavy Fuel Oil	\$59-61	-1.0
Nephtha Petroleum Argus Estimates	S160-1 6 2	- 1.0
Other		+ 0" -
Gold (per troy oz)	\$392.0	-3.0
Silver (per troy oz)#	\$508.5	-5.0
Platinum (per troy oz)	\$405.5	-2.5
Pelladium (per troy oz)	\$139.80	+0.45
Copper (US Producer)	89.5c	
Leed (US Producer)	34.63c	
Tin (Kusia Lumpur market)	12.71m	
Tin (New York)	231.5c	
Zinc (US Prime Western)	62.0c	
Cattle (itve weight)	190.71p	-4.89*
Sheep five weighth	92.69p	-8.66*
Pigs (ilve weight)†	79.07p	-2.71*
London delly suger (raw)	\$261.8	+3.9
London delly suger (white)	\$268.D	+2.25
7ate and Lyle export price	2285.5	+1.5
Barley (English feed)	Unq	
Malze (US No. 3 yellow)	Unq	
Wheez (US Dark Northern)	£147.0	
Rubber (Aug)♥	59.25p	
Flubber (Sep)♥	69.75p	
Rubber (KL RSS No 1 Jul)	208.0m	
Coconut of (Philippines)§	\$472.5v	-12.5
Palm Oil (Malaysian)§	\$388.0t	-2.5
Copra (Philippines)§	292.5c	
Soyabeana (US)	£216,0y	
Gotton "A" Index.	58.46c	+0.30
Woottops (64s Super)	3480	

c-cents/lb. r-ringglt/kg, y-kit/Aug, z-Aug,v-Aug/Ser u-Sep t-Oct/Dec x-Aug/Oct VLandon physical. SCR Rotterdam. - Buffon market close. m-Melaysier

extremely overbought. Trading was choppy as the market continued to digest numerous reports and opinions about the extent of flood-damage to the crop in the western US Midwest. "There is a lot of profit taking and nervousness," one trader said. Three-month COPPER see-say routinely either side of \$1,900 tonne on the London Metal Exchange with support around \$1,890 providing a pivotal rally point. Three-month ALUMINIU broke higher in early afternoon trading on US buying which for sellers backing away.

SUGAR	- LCE		(5 per tono
White	Close	Previous	High/Law
Oct	262.80	265.50	267,00 262.80
Dec	264.30	266.30	267.50 264,30
Mar	287.80	269.50	271.00 267.00
May	270.80	272.70	271.00
Oct 154	52 (316) P	1567.60	(FFr per tonne): S/berr
	Letes	t Previou	s High/Low

				perm
	Lete	et Previo	us High/Low	
Sep	16.6	2 17.05	16.96 16.54	
Oct	16.7	9 17,23	17.09 18.71	
Nov	17.0	0 17,44	17,27 17.00	
Dec	17,2	0 17.65	17,43 17,20	
Jan	17.3	8 17.75	17.60 17.36	
Feb .	17.5	5	17,61 17,55	
IPE Index	16.3	5 16.69		
	35711 (4	60000		
GAS OIL			S/I	onn
		Previous	S/t	onn
GAS OIL	IPE			onn
GAS OIL	- EPE	Previous	High/Low	onn
GAS CIL	- IPE Close 158.00	Previous	High/Low 159.50 157.00	onn
GAS OIL	- IPE Close 158.00 158.75	Previous 156.75 158.25	High/Low 159.50 157.00 160.75 158.00	onn
	- EPE Close 158.00 158.75 181.50	Previous 156.75 158.25 160.50	High/Low 159.50 157.00 160.75 158.00 183.25 161.00	onn
GAS OIL Aug Sep Oct Nov	- IPE Close 158.00 158.75 181.50 163.50	Previous 156.75 158.25 160.50 162.50	High/Low 159.50 157.00 160.75 158.00 163.25 161.00 165.00 163.00	onn

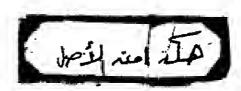
COTTON

Ju .	752	755	752 760	
Sep Dec	762 771	764	768 757 777 765	
Mar	784	774 788	790 779	
May	794	798	800 791	
Jul	802	803	806 803	
Sep	611 823		814 828 825	
May	845	852	844	
		3193) lots of		
for Jul	reflection p 19 775.52 (767.01)	rices (SDRs (770,96) 10	per torus). Daily day average for	J
COFFE	E - LCE			ΛO
	Close	Previous	High/Low	
Jul	978	963	983 957	_
Sep	1003	902	1011 990 1020 996	
Nov Jen	1009	990	1010 998	
Mar	1007	980	1019 998	
May	1012		1018 998	
(58.15)	festor pric daily 60.1	95 (80.30) 1	per pound) for J 5 day average	Ar S
POTAT	008 - LC			2
	Closes	Previous	High/Low	
Apr	91,9	92.9	92.5 81.0	_
Turnove	r 58 (16)	lots of 20 to	MINOR.	
		=	6/	_
SOYAN	EAL - LO	-63	-	W
SOYAN	Close	Previous	High/Low	10
Dec				10
	Close	Previous	High/Low	10
Dec Apr	Close 185.00 188.90	Previous	High/Low 185.00 186.50	tor
Dec Apr Turnove	Close 185.00 188.50 r 25 (20)	Previous 185.00	High/Low 185.00 186.50	
Dec Apr Turnove	Close 185.00 188.50 r 25 (20)	Previous 185.00 lots of 20 to	High/Low 185.00 186.50 nnes. \$10/index	
Dec Apr Turnove	Close 186.00 188.90 r 25 (20) f	Previous 185.00 lots of 20 to Previous	High/Low 185.00 186.50 nnes. \$10/index	
Dec Apr Turnove Francis	Close 185.00 188.50 r 25 (20)	Previous 185.00 lots of 20 to	High/Low 185.00 186.50 nnes. \$10/index	
Dec Apr Turnove Francis Jul Aug Sep	Close 185.00 188.50 r 25 (20) r FT - LCB Close 1338 1310 1368	Previous 185.00 lots of 20 to Previous 1321 1296 1328	185,00 186,50 186,50 1710/Index 186,50 1710/Index 186,50 1710/Index 1710/Inde	
Dec Apr Turnove Francis Jul Aug Sep Oct	Close 185.00 188.50 r 25 (20) i FT - LCB Close 1338 1310 1368 1385	Previous 185.00 lots of 20 to Previous 1321 1298	High/Low 185.00 186.50 rmes. \$10/index High/Low 1339 1330 1315 1310 1341 1395 1380	
Dec Apr Turnove França Jul Aug Sep	Close 185.00 188.50 r 25 (20) r FT - LCB Close 1338 1310 1368	Previous 185.00 lots of 20 to Previous 1321 1296 1328	185,00 186,50 186,50 1710/Index 186,50 1710/Index 186,50 1710/Index 1710/Inde	
Dec Apr Turnovi Primedi Aug Sep Oct Nov BIFI	Close 185.00 183.50 r 25 (20) s r 25 (20) s r - LCB Close 1338 1310 1365 1385 1010	Previous 185.00 lots of 20 to Previous 1321 1298 1328 1373	High/Low 185.00 186.50 rmes. \$10/index High/Low 1339 1330 1315 1310 1341 1395 1380	
Doc Apr Turnove Jul Aug Sep Oct Nov BFI Turnove	Close 185.90 183.90 r 25 (20) fr T - LCB Close 1338 1310 1365 1385 1385 1010 1381 r 287 (34)	Previous 185.00 lots of 20 to Previous 1321 1298 1328 1373	High/Low 186.50 186.50 mes. \$10/index High/Low 1339 1330 1315 1310 1341 1395 1380 1405	P
Dec Apr Turnove Francoi Jul Aug Sep Oct Nyy BFI Turnove	Close 185.90 189.50 r 25 (20) i r 25 (20) i r - LCB Close 1338 1310 1365 1010 1361 1361 r 257 (34)	Previous 185.00 lota of 20 to Previous 1321 1226 1328 1373 1361	High/Low 186.50 186.50 186.50 186.50 186.50 187.50	P
Dec Apr Turnove Apr Turnove Apr Turnove Aug Sep Oct May BFI Turnove GRABAN Wheat	Close 185.00 168.50 168.50 r 26 (20) 17 - LCE Close 1338 1319 1365 1385 1010 1381 r 287 (34)	Previous 185.00 lota of 20 to Previous 1321 1226 1328 1373 1361	High/Low 185.00 186.50	P6
Dac Apr Turnove Francis Aug Sep Oct Nov Birl Turnove GRIABISI Wheat Sep	Close 185.00 183.50 183.50 r 25 (20) F - LCB Close 1338 1310 1365 1385 1010 1381 r 287 (34) - LCB Close 106.10	Previous 185.00 lots of 20 to Previous 1321 1238 1373 1361 Previous 106.30	High/Low 186.50 186.50 186.50 186.50 186.50 186.50 186.50 186.50 187.50	P
Dec Apr Turnove Jul Sep Oct Nov BFI Turnove Wheat	Close 185.00 168.50 168.50 r 26 (20) 17 - LCE Close 1338 1319 1365 1385 1010 1381 r 287 (34)	Previous 185.00 lota of 20 to Previous 1321 1226 1328 1373 1361	High/Low 185.00 186.50 186.50 186.50 186.50 186.50 186.50 1309 1309 1309 1309 1341 1395 1380 1405	P
Dec Apr Turnove Present Sep Oct Nov BFI Turnove GRASHI Wheat Sep Nov Jen Mar	Close 185.00 183.50 183.50 7 25 (20) 17 - LCB Close 1338 1310 1365 1395 1010 1361 7 287 (34) 1- LCB Close 106.10 107.70 109.95 112.05	Previous 185.00 Previous 1321 1298 1373 1361 Previous 106.30 106.06 110.06 112.50	High/Low 186.50 186.50 186.50 186.50 186.50 187.60 186.50 187.60	P
Dec Apr Turnove Jul Sep Oct Nov BFI Turnove Wheat Sep Nov Jen	Close 185.00 168.50 168.50 r 26 (20) FT - LCE Close 1338 1310 1365 1385 1395 1010 1381 r 287 (34) 1 - LCE Close 106.10 107.70 109.95	Previous 185.00 Previous 1321 1226 1328 1373 1361 Previous 108.30 108.05 110.40	High/Low 186.50 186.50 186.50 186.50 186.50 187.50	P6
Dac Apr Turnove Franch Aug Sep Oct Nov Birl Turnove GRABAI Wheat Sep Nov Jen Mar	Close 185.00 183.50 183.50 7 25 (20) 17 - LCB Close 1338 1310 1365 1395 1010 1361 7 287 (34) 1- LCB Close 106.10 107.70 109.95 112.05	Previous 185.00 Previous 1321 1298 1373 1361 Previous 106.30 106.06 110.06 112.50	High/Low 186.50 186.50 186.50 186.50 186.50 186.50 187.60 1339 1330 1341 1395 1380 1405 PM High/Low 105.10 187.90 107.80 110.50 102.90 112.50 112.08	
Dec Apr Turnova FREECH Jul Aug Sep Oct Nov BFI Turnova GREASH Wheat Sep Nov Jen May Bertoy Sep	Close 185,00 188,50 188,50 188,50 188,50 188,50 188,50 188,50 1381 1385 1385 1010 1381 1287 (34) 1- LGE Close 106,10 107,70 109,85 112,05 114,15 Close 102,85	Previous 185.00 Previous 1321 1226 1328 1328 1373 1361 Previous 106.30 106.05 110.40 112.50 Previous 102.95	High/Low 185.00 186.50 186.50 186.50 186.50 186.50 186.50 186.50 1355 1350 1355 1310 1341 1395 1380 1405 1405 1405 157.90 107.90 112.50 112.05 114.60 114.15 High/Low 102.95	P
Dec Apr Turnove Apr Turnove Apr Turnove Bri Turnove Bri Turnove May Bri May Berfey Sep Nov Sep Nov	Close 185,00 163,50 163,50 163,50 163,50 163,50 163,50 17 - LCE Close 1338 1310 1363 1385 1010 1381 1- LCE Close 106,10 107,70 109,95 112,05 114,15 Close 104,96	Previous 185.00 Previous 1321 1226 1328 1373 1361 Previous 106.30 106.06 114.50 114.50 Previous 106.26	High/Low 185.00 186.50 186.50 186.50 186.50 186.50 186.50 187.50	P
Dec Apr Turnova Jul Aug Sep Oct Nov BFI Turnova GRABNI Wheat Sep Nov Jen May Berley Sep	Close 185,00 188,50 188,50 188,50 188,50 188,50 188,50 188,50 1381 1385 1385 1010 1381 1287 (34) 1- LGE Close 106,10 107,70 109,85 112,05 114,15 Close 102,85	Previous 185.00 Previous 1321 1226 1328 1328 1373 1361 Previous 106.30 106.05 110.40 112.50 Previous 102.95	High/Low 185.00 186.50 186.50 186.50 186.50 186.50 186.50 186.50 1355 1350 1355 1310 1341 1395 1380 1405 1405 1405 157.90 107.90 112.50 112.05 114.60 114.15 High/Low 102.95	P6
Dec Apr Turnover Francis Jul Aug Sep Oct Nov BFI Turnover Mar May Berfey Sep Nov Jan Turnover	Close 185,00 163,50 163,50 163,50 163,50 163,50 163,50 17 - LCE Close 1338 1310 1363 1385 1010 1381 - LCE Close 108,10 107,95 112,05 114,15 Close 102,65 104,95 107,45 : Wheat 5	Previous 185.00 Previous 1321 1226 1328 1328 1373 1361 Previous 106.30 110.40 112.50 114.50 114.50 105.60 107.50	High/Low 185.00 186.50 186.50 186.50 186.50 186.50 186.50 187.50	P
Dac Apr Turnove Filmove Aug Sop Oct Nov BFI Turnove GRABH Wheat Sep Nov Jen Mar May Borfoy Jen Turnove	Close 185,00 163,50 163,50 163,50 163,50 163,50 163,50 17 - LCE Close 1338 1310 1363 1385 1010 1381 - LCE Close 108,10 107,95 112,05 114,15 Close 102,65 104,95 107,45 : Wheat 5	Previous 185.00 Previous 1325 1328 1328 1328 1373 1381 Previous 108.30 100.06 111.50 114.50 1705.60 107.90 49 (243), Ba	High/Low 185.00 186.50 186.50 186.50 186.50 186.50 186.50 186.50 186.50 187.50 1880 1880 1880 1880 1880 1880 1880 18	P6
Dec Apr Turnover Francis Jul Aug Sep Oct Nov BFI Turnover Mar May Berfey Sep Nov Jan Turnover	Close 185,00 1683,50 1683,50 1683,50 1683,50 1683,50 17 - LCE Close 1338 1310 1385 1310 1381 1- LCE Close 108,10 107,70 109,85 112,05 114,15 Close 102,65 107,45 : Wheat 5 lots of 16	Previous 185.00 Previous 1351 1298 1328 1373 1381 Previous 108.30 100.06 111.50 114.50 114.50 110.56 107.90 49 (243), Ba Q Tonnes.	High/Low 185.00 186.50 186.50 186.50 186.50 186.50 186.50 186.50 186.50 187.50 1880 1880 1880 1880 1880 1880 1880 18	pro
Dec Apr Turnover Turn	Close 185,00 1683,50 1683,50 1683,50 1683,50 1683,50 17 - LCE Close 1338 1310 1385 1310 1381 1- LCE Close 108,10 107,70 109,85 112,05 114,15 Close 102,65 107,45 : Wheat 5 lots of 16	Previous 185.00 Previous 1351 1298 1328 1373 1381 Previous 108.30 100.06 111.50 114.50 114.50 110.56 107.90 49 (243), Ba Q Tonnes.	High/Low 186.50 186.50 186.50 186.50 186.50 186.50 186.50 187.50 187.50 187.50 187.50 187.50 189.70	po
Dac Apr Turnover Turnover Turnover Turnover	Close 185,00 163,50 163,50 163,50 163,50 163,50 163,50 163,50 1338 1310 1363 1385 1310 1361 1- LCE Close 106,10 107,70 109,95 112,05 114,15 Close 104,96 107,45 : Wheat 5 lots of 16	Previous 185.00 Previous 1326 1328 1328 1328 1373 1361 Previous 106.30 106.05 114.50 114.50 114.50 117.50 117.50 117.50 117.50 117.50 117.50 117.50 117.50 117.50 117.50	High/Low 186.50 186.50 186.50 186.50 186.50 186.50 186.50 187.50 187.50 187.50 188.0	po

	Leed (5 per t	en net			_
		390.5-1.5	398-	1.5	3
	3 months	404-4.5	402-		ă
	Nickel (S per	tonne)			
By price or Jul 20		4855-4860	4961		
		4912-6	5020	-5	4
	Tin (5 per tor Cash		4985	-	
S/torrid		1940-3 1 994-6	5040		5
4.0.1.0	Zino, Special		_		Ť
		934.5-5.5	922		9
	3 months	51-2	#39-		9
	LIME Closing	€/\$ rate:			
	SPOT: 1,5016		3 (1)(0)	this 1.A	911
	Copper and I	end prices s	-	ф те	red k
	LOHEDON BU	TIVE NA			_
	(Prices suppli			ko .	
Jul 16 58.56	Gold (troy oz)			2 equit	-
				-	
	Close Opening	391,40-391			
E/Romme	Morning fbc	391.50		190,444	
200	Afternoon fix	392.10 393.25-393	1	29.789	•
	Ony's high Day's low	381.50-392			
	Loco Lán Me			0	
					18 US
	1 months 2 months	2.54 2.59	6 mor		
Eftonne	3 months	2.58	12 114	WIN IO	
-	Silver fix	p/troy ex		S cts	eguly.
	Spot	335.55		04.50	-4
	3 months	340.40		06.15	
	6 months	345,20	5	12.60	
	12 months	354.80		22.16	
	GOLD CORR				
ex point	GOLD COM				
		\$ price		Aupe 3	zbent
	Krugerrand Maple test	392.00-3: 403.65-4		261.00-	264.
	New Sovereig			81.00-6	4.00
	TRADED OF	TIONS	_		
	Aburgirium (96		Cafe		Puss
	Strike price \$		Oct	_	
			_	Aug	Oc
Ytors:	1176 1200	35 19	84	6 16	20 29
/WIE	1225	8	35	30	41
	Copper (Grade	A	Calls		Puts
	1900	44	85	33	75
3	1950	23	63	61	10
,	2000	10	45	59	134
,					
	Coffee	Sap	Nov	Sep	No
	860	154	168	1	9
,	900	109	127	6	18
	950	69	83	15	34
	Cocce	Sep	Dec	Şeo	Dec
	725	48	60	9	24
	750	30	54	16	33
	775	19	41	32	45
n p/kg					
	Brent Crude	Sep	Oct	840	Oct
	1700	33	63	63	54
	1750	11	31	75	-
	1800	4	21	-	•

1977	7-8	1858		1895-6			
1917	7-8	1910/188		1904-5	1909-1	0	234,372 lots
					Total	delly turn	10ver 7,514 lots
386		368		387.5-8.0			
402-	25	405/402		Q1.5-2.0	403-3.5	• 1	23,600 lots
					Total	daily tun	10ver 3,448 lots
495	<u>-</u> 5		-	(850-1			
5020	J-5	4880/401		1910-2	4910-5		7,470 lots
					Total	chally turn	tover 2,454 lots
4985				NP62-7			
5040	1-86	5030/469	0 5	020-5	4890-4		10,519 lots
(S per	tonne)				Total o	laily turns	Her 15,383 lots
	5-3.5	930		230-0.5			
<u> 939-</u>	40	958/943		<u>47-7.5</u>	957-5	7	75,894 lots
			_	Later Co.			
3 mar	ths: 1.4	917		months: 1.	4833	9	months: 1.4783
TO THOME	фртин.	ed in dolars	per to	nne			
ROTTEC			Ne	Y WE	ork		
	2 equit	eitent	GOL	D 100 trov	02.; \$/voy 0		
.25							
80				Close	Previous	High/L	
	256,444 259,766		34	391.9 392.2	302.0	0	D
.75	المحيت		Aug Sep	393.2	393.4	393.8 D	391.1 D
.00			Oct	394,4	394.5	396.2	393.8
_		E 1980	Dec	396.5	396,8	396.2	385.5
uceud 1	ARCHE (/s USS)	Feb	398.3	398.5	399.9	388.D
6 ma		2.59	Apr Jun	400.2	400.4	402.8	402.0
12 m	ON PER	2.59	AUG	403.6	404.0	0	0
			_		70y DC; \$/00	V D7	
	US CTS	adrik					
	504,50			Ciose	Previous	High/Lo	
	506.15		34	407.7	406.8	0	0
	512-80 522-16		Çet Jan	407.7	458.1 456.9	409.5 410.0	407.0 407.5
			Apr	409.5	409,6	D	0
				_	Dy OZ; CANTA	TOW OF	
				Close			
	Aupe 3	rations.			Previous	High/Lo	
5.00	261.00	264,00	Jul	504.0	504.2	506.5	500,5
5.20	-		Sep	504.9 506.2	505.2 506.5	0 510.0	0 502.0
20	81,004	M.00	Dec	511.4	511.7	515.5	507.0
			Jan	5120	512.3	0	0
			Mer	516.5	516.8	517.0	513.5
afe		Puss	May	520.4 523.9	520.7 524.2	523.0 523.5	517,0 523,5
_			Sop	827.7	528.0	530.0	528.0
Oct	Aug	Oct	Dec	533.4	533.7	534.0	530.5
84	6	20	HIGH	GRADE C	OPPER 25,0	00 lbs; ce	adiation
49 35	16 30	29		Latest	Previous	High/Lo	
		41	-				
als		Puts	34	84.50 84.50	84.90 84.90	85.15 84.50	B4.45
85	33	75	Aug	84.80	85.15	85.75	84.50 84.50
63	61	102	Oct	85.00	85.25	0	0
45	59	134	Nov	85.15	B5.40	D	0
			Dec	85.25	85.50	86.00	85.00
Nov	Sep	Nov	Jen Feb	85.40 85.55	85.60 85.80	0	9
188	1	9	Mar	85.75	88.00	85.00	85.70
127	6	18	Apr	85.90	86.15	D	0
83	15	34	CRUD	E OIL (LIH	H) 42,000 US	S calls SA	enel
Dec	Sep	Dec					
_	_	Dec		Latest	Previous	High/Los	
60	9	24	Aug	T7.10	17.70	17.79	17.08
54	16	33	Sep	17.73	16.25	18.26	17.63
41	32	45	Oct Nov	18.00 18.20	18.47	18.49 18.65	17,93 18.12
			Dec	18.37	18,84	18.60	18.27
Oct	84p	Oct	Jan	18.47	18.99	18.90	18.47
63			Feb	18.57	19.11	18.94	18.56
31	63 75	54	Mar	18.75	19,20	18.05	18.62
21	-	:	Apr	18.71	19.28	19.13	18.71
		-	May	18.77	19.36	19,06	18.74
				4.			
				4			

				_					
HEAT		42,000 US p			_ C	hicaş	30		
Aug	Latest 49,00	Previous 50.50	60.75	49.35	SOY	_	,800 bu min;	cents/800 bi	at of
500	50.50	51.54	51,66	50.35		Close	Previous	High/Lov	
Oct	51.65	52.87	52.50	51,60	Jul	727/2	734/0	734/0	723/0
Nov	52.85	53.80	53.60	52.80	Aug	728/2	734/4	735/0	722/0
Dec	64.05	54.90	54.80	53.90	Sep Nov	729/4	737/0 736/0	736/4	724/4 723/0
Jan	54.90	55.75	\$5.60	54.75	Jan	732/0	738/4	737/0 738/4	729/0
Feb	55.25	56.00	55.B\$	55.00	Mar	733/2	740/0	740/0	730/4
Mar	54.55	55.20	55.00	54.55	May	732/4	740/0	738/4	730/0
Apr	53.65	54.25	54.25	53.65	Jul	732/0	739/4	738/4	730/0
May	53.00	53.40	53.40	63.00	SOY		. 60,000 lbs;	Certs/ID	•
	Ciose				_ Ju	24.80	Previous 24.70	High/Low	
Eas.	978	Previous	High/Lo		Aug	24.67	24.66	24.77 24.83	24.35 24.32
Sep Dec	1010	1020	968	974	Sep Oct	24,75	24.75	24.95	24.45
Mar	1038	1045	1028 1050	1006	Dec	24.85° 25.07	24.85 25.08	25.00 25.25	24.60 · 24.70
May	1055	1005	1056	1056	Jan	25.08	25.10	25.24	25.00
Jul	1078	1085	0	0	Mar	25.10	25.15	25.30	25.05 -
Sep	1068	1105	ō	ŏ	MEY	25.11	25.15	25,30	25.05
Dec	1118	1125	1120	1120	80Y/	ABEAN ME	AL 100 tone;	\$/ton	
Mar	1139	1146	0	0		Close	Previous	High/Low	
May .	1157	1154	_ D	Ο.	Jul	241,3	243.7		
COFF	EE "C" 37	.500lbs; car	nte/Exe		Aug	234.8	237.7	243.5 235.7	239.0 232.5
_	Close	Desidence			Sep	232.8	235.7	234.5	231.3
	CAUSE	Previous	Highto	w	Oct	231.9	234.6	234.0	230.5
tul .	72.65	72.20	73.50	73.40	- Dec	232.2 291.2	234.7	Z34.5	230.0
Sep	72.30	72.75	74.95	71.75	Mar	230.0	233.7	233.0 231.5	229.0
Jec	74.75	75.25	77.50	74.20	May	228.3	232.0	228.0	223.0
ter key	77.00	77.20	79.40	77.60	MAIZ	E 5,000 bu	min; cents/5	Allo branched	
tul	76.30 79.80	78.50	90.60	79.35	_				
iep	80.90	79.95 B1.35	81.75	81.75		Close	Previous	High/Low	
)ec	84.85	84.50	0 85.00	0 84.50	Jul	235/4	237/0	240/0	233/4
					Sep Dec	241/6 250/4	243/0 252/0	244/2	240/2
ADU	R WORLD	*11° 112,0	00 fbe; cer	te/be	Mar	257/4	258/6	253/6 . 260/4	249/2 255/4
	Close	Previous	High/Los	,	May	251/4	262/8	264/2	380/2
)ct	9.79	0.00			_ Jul	261/4	262/4	266/D	260/4
Agr	10.00	9.96 10.19	10.06	9.78	Sep Dec	250/0 245/0	249/4 244/4	251/2	250/0
Amy	10.03	10.28	10.33	9.97 10.02				246/0	243/2
u	10.05	10.25	10,34	10.05	WITE		min; centu/t	Olb-bushel	
lct	10.05	10.20	10,90	10.06		Close	Previous	High/Low	
om	N 63,000	cents/ibs			_ Jur	330/2	299/0	304/0	298/4
					Sep Dec	307/B	304/0	311/0	302/0
	Close	Previous	High/Lov	,	Mar	317/6	314/4	321/0	911/4
ct	60.85	59.70	60.90	58.55	May	319/0	318/0	325/4	316/0 315/0
ec	62,94	81.15	82.40	60,94	Jul	308/4	309/0	310/0	306/0
5	63,30	62.10	63.40	61.92	LIVE	ATTLE 40	000 lbs; cent		
8y	84.14	82.75	64,15	62.80				1706	
us.	64.70	63.40	64,00	63,40	-	Close	Previous	High/Low	
et 	82.50 83.70	62.00	D	0	Aug	73.425	72.850	73,450	72.600
•0	62.70	62.00	82.70	61.75	Dec	73.450 75.000	73.050 74.676	73.575	72,750
RANK	SE JUNCE	15,000 lbs;	cents/fbs		Feb	75.100	74.675 74.775	75.100 75.200	74.500
	Close	Previous			_ Apr	78.075	75.800	76.225	74.650 75.650
_			High/Low		Aug	73.050	72.825	73.350	72,825
OD .	116,20	116.35	116,90	114.50	- Aug	72.000	71.800	72.100	71.850
ov	119,40	119,35	120,00	118.10	TAE H	OG\$ 40,00	C Ib; cents/fb	6	
9. L	121,50	121,00 128.00	121,75	120.25		Close	Previous	High/Low	
er Ey	125.50	125.00	123,80	122.00	Jul	47.075			
s s	125.50	125,00	0	0	Aug	46,600	47.800 47.150	47.700	47.025
P	122,50	122.50	B	0	Oct	43.325	43.400	47.150 43,600	45,425 43,050
7	122.50	122.50	ő	ă	Dec Seb	45.275	45.200	45.550	45.075
				•	Feb Apr	45.950	45.825	46.250	45.775
HO	CES				Jun	44.925 50.125	44.900	45.175	44,800
_					Jui	49,450	50.075	50.350	49,925
REU		e:Septembe	18 1931	= 100)			49.450	49.600	49.250
	Ja 20	Jul.18	most age	ут аде	CHIK	BOLLIES 4	0,000 Has, car	tte/fo	
_	1706.8	1702.3	1882.7	1559.8		Ciose	Previous	High/Low	
DOW	JONES (Base: Dec. 3	1 1074 =	001	Ju	40,425	42.425		40.455
_	Jul.19				Aug	39,825	40.850	41,800	40,425
		Jul.16	menth ago	yr ago	Feb	48,400	47.925	40.350 48.600	38.890 49.700
pot	123.04	123.87	120,17	118.04	Mar May	47.850	47-375	48,100	48.700 46.700
our e	127,80	126.60	121,00	118.97	Jul	48.600	48.800	49.100	48.400
					Aug	48.950	48.600	Ø	a
					•		48.950	0	0



FT-A ALL-SHARE

1401.27 -7.46

LONDON STOCK EXCHANGE

Worries from the US hit blue chips

By Terry Byland, UK Stock Market Editor

A UK stock market already discouraged by the lukewarm investment reception for the BT3 issue on the previous day took a turn for the worse yesterday afternoon after Mr Alan Greenspan, chairman of the US Federal Reserve, characterised this year's US inflation trends

as "disappointing". Early gains in London were sharply reversad and the FT-SE 100 Index was down by 24.3 until losses were trimmed after a rally on Wall Street. The final reading of 2,823,9 on the Footsie left a fall on the day of 19 points.

The sethack was led by a sharp fall in stock index futures. Downward pressure on equities was reportedly moderate, however, with trading in the BT issues still making up about 10 per cent of overall turnover.

The market was helped at first by a firmer tone in pharmaceutical issues. However, the initial gain of 6.1 on the Footsie began to melt away after a hesitant start by the September future contract on the Footsie. Lacking any fur-ther excitement from the BT stocks, the equity market hung fire until a sell-off in stock index futures sounded tha alarm ahead of Mr Greenspan'a prepared address to the US Senate Banking Committee.

Brand

return

concerns

FRESH shivers of appre-

hension were sent through

companies with strong brand

products as Philip Morris, the

US tobacco group, announced

that the provisional price cuts

it made earlier this year would

now be extended to some of its

other premium brands. It also

said that the reduction in the

price of its top-selling Marl-

borough cigarette brand would

be made at the wholesale level.

BAT Industries, Unilever and

Cadhury Schwappes all fell

sharply on the news, although

BAT later recovered on specu-

lative buying.

Fears over the effect of price

cuts by leading hrand manu-

facturers in reponse to cheaper

alternatives has been pla-

gueing related stocks for

some time, Earlier this month.

Procter and Gamble caused dis-

may among its peers by

announcing a series of price

cuts, which impacted in partic-

ular on Unilever, one of its

Although yesterday's news

affected sentiment, speculation ahead of the move last week

had already put implications of

the day's developments into

main competitors,

hiruz Sidhia

 $s_{1}, \sqrt{s_{2}} \lesssim 3$

Diseppointment with tha news of 3.3 per cent annualised growth in UK M4 money supply eased after comments on the outlook for domestic inflation from UK economists, hut hroader confidence was damaged hy Mr Greenspan's discouraging views on inflation

across tha Atlantic. Firmness in sterling reduced the chances of a cut in domestic base rates, thus undermin-

Voterne Caceing Day's 800's Price change

Based on the trading volume for a selection of Alphe securit rounded down, † Indicates on FT-SE 100 Index constituent,

pointed out that the issue was

not finally decided and that

Philip Morris was also raising

some cigarette prices.

BAT finished just a half-

penny off at 430p, after 418p,

following hefty turnover of

10m shares. Unilever had a

more torrid tima, its shares

tumbling 17 to 949p, the lowest

price aince September last

year. Cadhury weakened 11

Britz Arropeca†
Britzh Arropeca†
Britzh Gan†
Britzh Gan†
Britzh Steat†
Burzi
Burzi
Suznah Castrot†

ing one of the few remaining props beneath near-term confi-dence in equities. As the close of trading drew nigh, optimism was fast disappearing and there was a ready audience for

suggestions that a large UK bank might announce a large rights issue this morning. Howaver, many traders scouted such rumours.

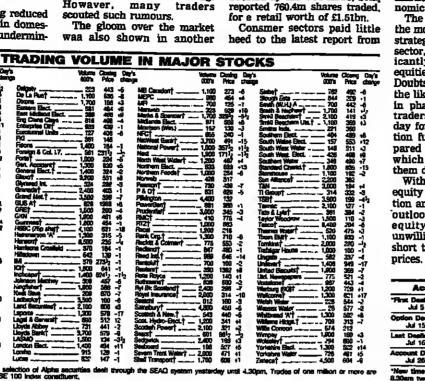
The gloom over the market

Volume Closing Day's 400's Price change

De La Pare?
Dorons
Estelen Blect.
Estel Medited Elect.
Eng Chana Clays.
Exterprise OH?
Estelen Medited Elect.
Eng Chana Clays.
Exterprise OH?
Estelen Blect.
Exterprise S Col. 17,
Forter
General Elect.
Glytned Int.
Granade!

modest fall in shares in second line issues, bringing a dip of 6.3 to 3,205.0 in the FT-SE Mid 250 Index. But trading in the second liners was down to about 58 per cent of the dey's Seaq total of 604.7m shares. On Monday, when business was

boosted by the BT3 issue, Sean reported 760.4m shares traded, for e retail worth of £1.51bn.



the Confederation of British Industries (CBI) which indicated that June brought the sixth consecutive monthly rise in UK retail sales.

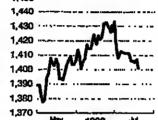
The CBI report also said that the sales recovery was patchy, lending support to the stock market's doubts about the economic recovery in the UK

The slide in the market was the more disturbing for market strategists because the drugs sector, which has been e significantly bearish drag on UK equities, was firmer yesterday. Doubts were expressed as to the likely duration of the rally in pharmaceutical stocks and traders looked keenly yesterday for signs that the internation fund managers were prepared to return to a sector which has cost so many of

them dear since this. With valuations of the UK equity market still under ques tion and the domestic political outlook now in jeopardy, equity analysts sounded unwilling to be drawn on the short term prospects for share

Accoun	t Dealing	Dates
First Dealings: Jul 5	Jul 19	Aug 2
option Declaration Jul 15	Jul 20	Aug 12
Jul 16	Jul 30	Aug 13
occunt Day: Jul 26	Aug 9	Aug 23

ties dealt through the SEAO system yesterday until 4.30pm, Trades of one milition or more are



Utilities strong

Utilities were seized as a port in the storm as nervous investors grew increasingly concerned about prospects for economic recovery and retreated into defensive stocks.

The regional alectricity companies made the most powerful gains, with the stocks boasting attractive yields and trading on the back of a strong performance on the previous day when 10 of tham went exdividend.

Such a strong showing increased interest in "recs" and fuelled a squeeze on the

stocks. One analyst forecast the recs' fortunes to ride the wave for a little while to come, stressing that their popularity is undarpinned by sound finances. "There is certainly no reason to be selling them.

Eastern Electricity moved up 9 to 484p, East Midlands made the same gain and ended at 466p and London put on 11 at 494p, while Northern advanced 13 to 523p, Sonth Wales 12 to 553p and Yorkshire 14 to 522p.

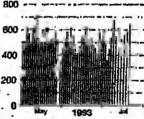
Water utilitiea hounced against the market trend in more modest fashion. Anglian rose 4 to 475p, North West gained 4 at 467p, Soutbern moved up 7 to 490p and York-

Argyll weakens

news on the food retailing sector as Argyll, which owns the Safeway suparmarket chain, made a disappointing trading statement. The shares had risen in pre-market trading on hopes of higher than expected sales. While these were largely in line with market forecasts, they were accompanied by a warning from the company that: "Sales inflation inflaenced in part hy the highly competitive trading conditions continues at record low levels." Market pessimism at food price inflation levels, combined with tighter margins, had led to several downgradings of the sec-tor in recent weeks.

FT-A All-Share Index





ket penetration, its quality and visibility of earnings, enor-mous financial strength and accelerating growth prospects more than justify its current premium rating." He predicted the stock would rise to 1600p within the next year. The company reports interim figures

next week. BOC Group jumped 6 to 655p as Hoare Govett recommended the stock. The broker said the shares have underperformed by 20 per cent this year and look good value. At the same time, Hoare's downgraded Laporte from £114m to £110m for this year citing tough trad-ing conditions. The shares fell

17 to 378p. Resulta from SmithKline Beecham came in at the top end of market forecasts helping the shares add 3 to 419p. Pre-tax profits grew 15 per cent to £601m from £521m. Mr Robert Bauman, the chief executive, said that group's perfor-mance was satisfactory, but be warned of an increasing degree of uncertainty in the drugs sec-

stocks hounced from their recent weakness as investors looked for bargains. Wellcome gained 17 to 621p and Glaxo 8

ery, although confidence in the

UK economic recovery

remained uncer tain. Stakis,

helped by reinforced positive

stances from Hoare Govett and

Smith New Court, gained 3 to

55p in volume of 1.2m. Friendly

Shares in British Aerospace

gave up 18 to 400p amid talk of

an over supply of defence

equipment on tha market and

further concern about the fin-

ancing of BAe's planned £250m

regional jets joint venture with

Talwan. However, the com-

pany chairman said he was

confident the financing prob-

iems would be solved shortly.

Among motor stocks, GKN, added 8 to 461p, and T&N

improved 4 to 194p, with

agency broker Henderson Cros-

thwaite said to have been the

day's big shoppers with a view

that next months IIK new car registrations should benefit

Profit-taking left Siebe 5 ligh-

ter at 492p. Strong demand for

Vosper Thornycroft following

a recent visit from institutions

saw the shares gain 16 to 629p. A stock shortage continued in

VSEL, and the shares put on 15

to 863p. It was also a squeeze,

this time in Hunting, which

helped drive the shares 9 better

at 236p. Bargain-hunters for

Meggitt helped reverse the

recent decline in the stock. The

engineering group Quadrama-tic cheered the market. Having

made its debut at 123p, the

shares closed 5 better at 128p. In the transport sector, US

selling continued in Tipbook

sending the stock further into

retreat, following last week's

figures which revealed a loss.

The closed 17 lower at 2130.

having been lifted off the bot-

it had won a multi-million pound 8-year contract from

Procter and Gamble for the dis-

tribution of P&G's detergents

News from Ocean Group that

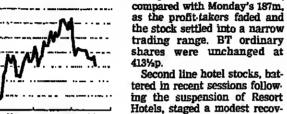
tom by bargain bunters.

The first day of dealings in

ahares hardened 3 to 105p.

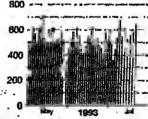
both component suppliers.

Hotels put on 4 to 202p.



Equity Shares Traded

Turnover by volume (million)



Chamicals manufacturer

Calm came to the second

partly-paid shares and they coincided with news that it is closed a half-penny ahead at to invest £18m in constructing 168%p. Turnover was 38m, an automated distribution centre in Spain. The shares gained compared with Monday's 187m, 4 to 292p.

A technical boost huoved Campari, the sporting clothes company, Some demand and a dearth of sellers pushed it up 5 to 138p.

Reports that National West-Minister Bank had collected details of customers political affiliations overbung the banking sector. NatWest shed 15 to 491p, with talk that it may soon call on investors for cash, also doing the rounds, Lloyds eased 9 to 579p, while Barclays gave up 14 to 478p.

MARKET REPORTERS: Joel Kibazo. Christopher Price.

Christine Buckley.

Other statistics, Page 18

BRITISH FUNDS

Both 13-200 1994
Trees 100c in 1994
Trees 100c in 1994
Trees 100c in 1994
Trees 1906 1994
Trees 1906 1995
Trees 1906 1906
Trees 12-be 1906
Trees 12-be 1906
Trees 13-be 1907
Trees 13-be 1997
Trees 13-be 1997
Trees 13-be 1997
Trees 13-be 1997
Trees 1998

Five to Fiftness Years Trans 1512pt 1851; — 1851; — 1851; — 1851; — 1851; — 1856; — 18

Jel 16 Jel 16 ago 2831.7 3225.5 3240.9 2415.6 2371.5 FT-SE 100 2823.0 2842.9 2833 0 54.69 1019.38 FT-SE Mild 250 FT-SE Mild 250 ex law Trucks 3205.0 3218.7 20.36 19.22 59.74 1148.93 81.30 1147.58 3231.1 2384.8 FT-SE-A 350 FT-SE SmallCap FT-SE SmallCap on low Trusts FT-A ALL-SHARE 1419.2 1634.95 27.15 1043.42 25.35 1221.94 1414.2 1422.2 1418.9 1172.7 1635.63 1406.16 26.79 26.59 1632.67 1401.27 1633.21 1633.53 __. -0.5 CAPITAL GO 999.49 146.79 1054.39 793.62 926.49 682.80 3021.20 2271.62 Building Materials(28) Contracting, Construct Bectricals(15) 1080.65 925.44 3011.02 38.24 80.00† 25.08 1050.44 21.26 1220.59 922.48 2999.95 923.53 3006.90 2727.12 -0.5 2740.53 2703.29 2702.67 1892.92 20.12 31.50 1193.31 8 Engineering-Aeros; 7 Engineering-Gener 6 Metals & Metal Re 6 Motors(20) 416.75 419.95 311.91 6.67 1425.41 -0.3 584.26 580.63 -0.4 428.36 425.55 +0.1 423.75 422.51 578.46 469.92 424.71 201.60 422.48 324.52 11,00 1163.19 6.06 1346.13 582.31 20.17 -0.4 428.36 +0.1 423.75 -0.3 2102.93 426.61 424.07 31.82 8,88 1191,27 10 Other Industrials(19) 2097.33 2082-20 2091-91 1594.33 21 CONSUMER GROUP 235 1575.02 1841.48 -0.6 1584.27 1583.08 1585.50 1548.49 22 Browers and Distillers(30) -0.7 1854.92 1846.32 1845.43 1996.79 41.82 901.47 -1.8 1292.82 1259.26 1255.90 1200.95 -1.7 2797.09 2726.15 2681.33 2717.33 25 Food Manufacturing(22 1242.60 26 Food Relating(17) 27 Health & Household 2749.48 3173.92 +0.1 3152.49 3229.19 3284.39 3816.11 43,18 754,16 29 Hotels and Leisure(20) 30 Media(33) -0.9 1345.39 1335.48 1103.05 -0.4 1965.71 -0.4 820.26 1963.55 1965.83 1496.42 616.03 \$14.71 729.86 26.36 1086.86 13.84 1063.18 1957.58 5.17 1145.45 1143.65 963.81 783.89 784.28 624.21 1147.41 -0.9 1157.30 -0.1 1489.37 1487.74 1487.53 1217.28 -0.9 1587.58 1590.19 1801.39 1289.10 40 OTHER ERQUES(141) 1487.93 7.37 41 Business Services(27) 42 Chemicale(23) 1573.26 15.28 -0.2 1487.74 1489.98 1352.07 35.15 1066.32 0.29 1.56 5.22 43 Conglomerates(11) 44 Transport(15) 45 Electricity(16) 1438.84 -0.3 1442.91 1452.31 1446.21 1198.13 2909.81 1793.16 2930.42 2900.79 2291.92 1764.90 1774.51 1332.25 53.62 1072.33 1773.57 52.22 1179.61 1743.60 1746.72 1381.00 3267.15 3310.82 2797.16 48 Telephone Netw 47 Water(13) 48 Miscellaneou 13.58 3244.18 +0.6 3225.11 5.48 4.50 106.71 1032.35 2308.76 2276.32 1914.57 7.47 49.93 944.54 15.06 -0.4 1421.28 1417.81 1418.32 1242.94 -0.4 2415.78 2429.79 3428.00 1861.06 49 MIDUSTRIAL GROUP 8.61 18.59 26.68 1005.97 51 08 & Gas(18) 2405.30 58 '500" SHARE INDEX(608 1504.18 -0.4 1509.98 1507.65 1508.83 1303.26 4.01 6.52 16.89 28.54 1014.98 ST FRIANCIAL GROUPISON 1079.91 -1.3 1094.41 1088.29 1086.96 692.43 3.94 3.46 43.10 21.70 1263,40 62 Banks(9) 65 Insurance (Life)(6) 1488.35 1486.43 926.87 -2.2 1493.47 4.53 2098.88 2098.69 1411.89 2119.08 -0.7 2133.04 4.21 27.75 86 Insurance (Composite) 67 Insurance Brokers(10) 68 Merchant Banks(6) 69 Property(29) 706.99 892.38 698.37 689.37 692.08 448.25 695.41 757.94 4.04 25.33 15.62 1131.96 881.39 927.36 686.22 927.65 438.32 923.02 571.33 397.78 235.36 1634.59 1112.70 4.31 5.49 2.13 930.65 +0.3 4.37 30.65 70 Other Financial(23) 71 Investment Trusts(110) 396.81 1532.65 -0.2 1535.06 47.00 1535.86 2.67 20.39 1163.52 96 FT-A ALL-SHARE(808) 1401.27 -0.5 1408.73 1405.72 1406.10 1157.21 3.96 5.89 21.21 28.59 1052.46 **Hourly movements** 9.00 10.00 12.00 18.16 High/day 71.00 13.00 14.00 15.00 2846.2 2844.8 3212.5 3214.5 2842.9 3214.0 2839-2 3214-2 2829.8 3207.6 2831,1 3208.1

FT-SE MID 250

3205.0 -6.3

Actuaries Share Indices

FT-SE 100

2823.9 -19.0

SE-A 35		423.5 1 8.47em low		1422.4	1421.0	1418.7	1416.2	1417.3	1417,3	1413.3	1424.9	1412.0
T-SE	Actua	ries 3	50 Ind	ustry I	Basket	ts					Previous	
uty	Open	9.60	18.00	11.60	12.00	13.90	14.00	15.00	16.16	Close	close	change
netron	1798.9	1799.2	1806.3	1806.3	1799.4	1799.1	1799,1	1799.1	1795.0	1795.0	1799.2	-4.2
出る。	951.5	950.7	949.7	948.8	845.8	943.8	949.2	953.5	953.1	953.9	947.3	+6.6
ier .	1330,7	1331.1	1330.3	1337.7	1336.4	1337.2	1337.2	1335.4	1338.4	1338.4	1330.5	+7.9
de	1814.5	1809.4	1804.1	1861.5	1793.7	1792.1	1792.6	1789.0	1773.4	1775.1	1815.3	-40.2

Additional information on the FT-SE Actuaries Share indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SEI BHL. The FT-SE Actuaries Share indices Service, which covers a range of electronic and paper-based products righting to these indices, is available from FINETAT at the atoms cadriess. The instances in the size of the FT-Actuaries AR-Share index from Junuary 4 1993 means that the FT-SO pow contains more stocks, it has been recentled the FT-SOT at South FE relies greater than 60 are not shown. It values are negative.

The FT-SOT 19E risks greater than 60 are not shown to Values are negative.

The FT-SC 100, the FT-SE McI 250 and the FT-SE Actuaries 300 indices are compiled by the London Stock Exchange and the FT-Actuaries AR-Share index as compiled by The Financial Times Limited, both in conjunction with the institute of Actuaries and the FT-Actuaries and oct of ground rules, C The International Stock Exchange of the United Mingdom and Republic of Ireland Limited 1983, C The Financial Times Limited 1993, All rights reserved.

FT-SST and Frostance are plant trade under said environ marks and service marks and

BRITISH FUNDS - Cont.

+ or 19
+ or 119
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+ or 119
+ or 125
+ or 125
- or 137
- or 125

Continued on next page

182 OTHER FIXED INTEREST

7.60 1reas, 2pc '94_(1029)
7.76 1reas, 2pc '94_(1029)
6 15 2pc '96t (67.9)
7.70 22pc '91...(135.6)
7.73 22pc '91...(78.3)

the BAT price and the stock soon rallied. Dealers also

NEW HIGHS AND

LOWS FOR 1993

NEW HIGHS (121).

SRITISH FUNDS (13) OTHER FORD INTEREST (S) AMERICANS (S) Dans, Lockheed, Whitpool, BANKS (4) NonVivez, Comman, Sandard Chrid., TSS, BRENNERS (1) Edridge Pope, BLDG MATLS (3) Gration, Linguige, Chilesia (1) Hebrased (J), CONTRI & CONSTRON (2) Amoo, Britarela, ELECTRONICS (S) Aba, Electron House, Seathforne, ENG AERO (2) Hursing, Do Styce PL, ENG GEN (5) Britport-Gandy, Protest, General, Electronics (S) Aba, Electron House, Seathforne, ENG AERO (2) Hursing, Do Styce PL, ENG GEN (5) Britport-Gandy, Protest, General, Transplantic, NY TRUSTS (2) Alrours, Do Styce PL, INSCE COMPOSITE (1) General Accident, INSCE LIFE (2) Lipsi & General, Transplantic, NY TRUSTS (31) City of Oxford Zaro PL, Dayton Blee Chip Zero PL, Drayton Best Chip Zero PL, Drayton Recovery Prif. Gwth, Eschric & General, Fidelity Env. Values Wis., Ferning Error, Micr., Why., Ferning Error, Micr., Why., Ferning Error, Micr., Co., Kolinwort High Inc. Zero PL, M & G income Zero PL, M & G recovery, Do Zero PL, Do Peley Linta, Martin Int. Green, Do Linis, Murry Ventures, FIT Capital, Do Zero PL, Drayton Bas State (1) Seathford, NY, MSSC (1) Seathford, O'NER FINCL (6) Intransport, Low & Bonner, MacCarlett, For Action (2) Seathford, Low & Bonner, MacCarlett, For Action (2) Seathford, Low & Bonner, MacCarlett, For Action (2) Jecques (Low & Bonner, MacCarletto (2) Jecques (Low & Bonner, MacCarletto (3) Jecques (2) Jecques (3) Jecques (4) Jec

South South, MINES (2) Beatrix, St. Betora.

NEW LOWS (62).
BRITTEN FURIOS (2) Exch. 131/pc '94, Exch.
141/pc '94, AMERICANS (1) Woodworth,
CANADIANS (1) inco. BREWIESS (1) Circensile,
BUSINESS SERVS (5) Inchesse, RCO, Salveson
(C), CHEMS (4) Card 7 p. Pt. 15. Laports, Warde
Storays, Yorks, CONTG & CONSTRON SA
Andrews Sylkas, How, McLauphin 6 Harvey,
PLECTRICALS (1) Neodrovincis, BLECTRICANS (3)
Andrews Sylkas, How, McLauphin 6 Harvey,
Systems, Brod GEN (1) Berry Welmines, POOD
MARKIF (8) Assoc. Brit. Foods, Dalepsis, JLI,
Mester (Radio), Lindews, Co. Nov., POOD
METAILING (2) Korkis Save, Monrison (Wm),
HLTH & HOUSEHOLD (1) AAH, Brit.
Bio-Technology, Devy, Glaso, Haemocod,
Madeke, Zerneca, BW TRUSTS (1) First Spenish
Wa. '87, MEDIA (2) Content Bedio, Princedale,
MTL & MTL FORBING (2) Johnson & Brit.
Sycamore, MSC (1) Content Bedio, Princedale,
MTL & MTL FORBING (2) Johnson & Brit.
(1) Chon, CIL & GAS (1) LAG. OTHER MOLS (1)
Rentehse, PACKO, PAPER & PRINTIS (5)
Bowater 'Price Ct. Do La Rus, St bes, STORES
(1) CS, TELE NETWORKS (1) Niha. Telecom,
Mines (1) Meining Ros.

shire ended 5 higher at 491p.

There was yet more gloomy

Yesterday, Argyll slumped 10 to 302p, its lowest level for 18 months in turnover of 7.1m. Elsewhere, Kwik Save slid 7 to 670p, J Sainshury 8 to 450p and Tesco 5 to 204p.

Reuters gains

A strong recommendation for Reuters from Lehman Brothers ensured that the sbares remained in positive territory adding 6 to 1392p, in a poor day in the markat. Mr Alastair Smellie at the US investment bank believes

that Reuters "unrivalled mar-

tor due to economic and regulatory pressures. Meanwhile, selected drugs

day's trading in the new BT in Spain. That announcement FINANCIAL TIMES EQUITY INDICES Year ago "High "Low July 20 July 18 July 16 July 15 July 14 2221.3 2234.3 2218.8 2221.5 2220.9 1831.0 2299.5 2124.7 4.16 4.16 4.16 5.04 4.52 4.07 4.95 4.93 4.95 4.95 7.26 6.38 4.62 25.85 25.99 25.84 25.86 25.86 17.35 28.57 19.40 23.89 24.99 23.95 23.99 23.97 16.14 24.60 16.14 221.4 224.1 224.5 221.0 225.3 95.7 238.3 80.0 Ordinary share Ord. div. yield Earning yiel % hull P/E sado vel. P/E ratio pil. Tor 1983. Ordinary share lindex since complisher: high 2299.5 10/3/85 - low 48.4 25/5/40 Gold Minas Index since complisher Index 7/3/715/2/83 - low 43.5 28/10/71 Basic Ordinary share 17/755; Gold Minos 12/8/55. 0.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High 2235.9 2235.1 2234.5 2231.0 2224.8 2222.8 2225.3 2225.8 2220.8 2236.8 2217.9 July 15 July 14 Year ago July 16 31,036 1437.1 37,324 591.8 34,743 1506.7 40,798 648.0 27,170 1439.5 31,371 555.0 24,453 1393.8 28,241

Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other tirees.

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LONDON SHARE SERVICE

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43% 8.06 38% 8.04 60% 5.46 33½ 8.11 28% 7.74 27% 0.00

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BRITISH FUNDS - Cont.

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No.8,207 Set by CINEPHILE

11, 25, 9, 3, 29, 15, 31, 20 and 7 form a series

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1 Great girl in second union 4 Fought on the junk heap (8) 10 One old country's like another (7) 11 Tube travellar happy about 5 American Indian company

work (4)
13 Poor Byron in town, absolutely penniless (5-5)
15 Took place on vessel (6)
16 Two Sundays with digital

sore (7) 20 Write hackward melody

(7) water (6)
29 Supreme god heard to give 23 Instrument with which to Israeli Arab bread? (7) 30 Gave up without protest?

(8) ing a different way (5)
31 Upper class was in charge of American heaven (6) maybe (4)

1 Horse's food for British man turned to wood (4.4) 2 Talk to cloak part of lamp

(3,6) 3 War is destructive (4) copper (7) over the Channel? (8)
12 Joke about a defensive 6 A car is to be used for high-level stunts (10)

> 8 Unstimulating study of poet 9 Where foxes are cunning what did you eay about

7 The underworld as a source of wealth? (5)

over sea (7)

21 Roman genaral provides that? (5)

21 Roman genaral provides that? (5)

21 Roman genaral provides that? (5)

22 Roman genaral provides that? (5)

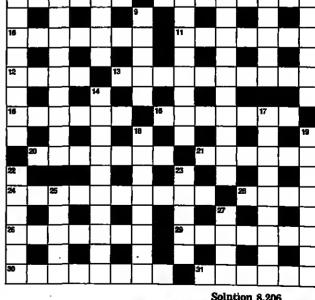
23 Feelings for pictures at Number Ten (6)

24 Feelings of hunger about six et workshop, where one should put one's foot down (64)

25 Feelings of hunger about six et workshop, where one should put one's foot down (64) (6.4)
26 Game break (4)
28 Believer in God without the New Testament has a chair

18 Inquestr 1 pit in before (8)
29 Coin, basic Roman one, for green vitriol (8)
20 Predatory creature starts diving into southern break-

censor some jokes (5)
25 Love's meeting place end-



Solution 8,206



EQUITY FUTURES AND OPTIONS TRADING

A QUIET morning proved to be the calm before the storm in stock index futures after gloomy signs for the US economy tested investors' nerves,

Christine Buckley writes. Virtually ignoring the midmorning UK money supply figures, dealers reacted actively to pessimistic remarks from the Federal Reserve on the US inflation rate and sold the

FT-SE 100 September contract down. Fears were furthar fuelled by speculation over the possibility of an interest rate

rise in the US. Such a violent reaction proved the poor underlying state of the futures market, according to one trader, who did not expect much promise to be seen before the August bank holiday. Some market

watchers fear that the underlying support level of 2,780 for the September contract may soon make an appearance in

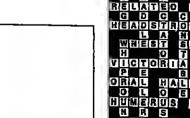
London report and latest Share Index

The contract greeted the day at 2,858 and enjoyed a brief spell at 2,863 before slipping back. The Fed'a remarks pushed it to the day's low of 2,820 at about 3.30pm. A slight rally left it closing at 2,824

after 9.933 contracts traded. It trailed its fair value premium to cash by 1.9 points.

Traded options had a lacklustre day with trade edging up only slightly to 20,879 lots from Monday's total. The FT-SE 100 option took the lion's share, at 8,493 contracts. Of stock options, only British Airways deals exceeded 1,000 lots, reaching 1,261.

JOTTER PAD



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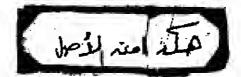
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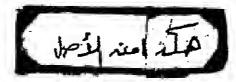
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FT MANAGED FUNDS SERVICE

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FINANCIAL FUTURES AND OPTIONS

Sterling attracts buyers

The pound put up a strong performance yesterday in European currency markets, despite the uncertainty hanging over the government and a mixed batch of economic figures, writes Stephanie Flan-

Sterling made rapid gains against the D-Mark in the morning's trading, reaching DM2.5750 before falling back slightly during the afternoon to close at DM2.5650, still one pfennig higher on the day. At first glance, the pound's strength was surprising, when the possibility of a government defeat over the Maastricht treaty on Thursday and subdued monetary growth figures might have sent the currency the other direction.

Analysts, however, said that sterling was being driven higher by the sense that it was a better investment opportu-nity than other currencies. The ERM currencies were yesterday again focused on the future prospects for German interest rate cuts while the yen still overshadowed by Japan's current political vacuum · suffered further losses yesterday due to a larger than expected fall in the country's leading

Jul 20	Latest	Previous Close
E Spot 1 month 3 months 12 months	1 5025-1 5035 6 38-0.37pm 1.07-1.05pm 3 23-3 15pm	1.4983 1.4993 0.40 0.39pm 1.06 1.04pm 3.18 3.10pm

		NG INE	
		Jul 20	Previous
	m	81.4	80.8
	<u> </u>	81.5	80.8
	m	81.5 81.5	80.9 9.08
Noon		81.5	81.0
	m	81.5	81.0
	m	81.7	01.1
3.00 0	m	81.8	81.2
4.00 p	m	81.6	01.3
CU	RREN	CY RA	TES
	Bank 4	Special *	European :
Jul 20	rate	Drawing Prozes	Currency
Sterifes	1 -	0931431	0.759397
IS Dodor	100	1.26323	1 14152
anadan S	198	1 77571	1,46172
kustulan Sch	6.25	16.7569	13.7177
leighan Franc .	6.00	49 1648	40.2530
lanch knoe .		9.20573	7.52550
Mark	6.00	2.37947	1.94915 2.18390
rench franc		6 11310	8 68338
bian Lua	9.00	2200.07	1810.56
scanesa Yen		149,690	123.855
lorsky Krone		10 1435	\$.32000
panien Peseta		166.407	152,873
worksh krong		11.0305	9.05857
was franc _	450	2.09496	1,71115
reek Drach	19	N/A N/A	256.409
ish Punt	- ·	(IVA	8,806102

Jul 20	Bank of England Index	Morgan *** Guaranty Changes %
Sterling	81.6 66.0 94.0 113.5 114.0 116.0 122.3 112.0 117.0 107.0 79.8 179.3 68.2	-28,43 -12,00 -7,70 +15,31 +0,40 +10,50 +29,90 +21,88 +19,59 -8,57 -34,02 +118,73
Morgan Guara 1980-1982-100, E Average 1985-100 OTHER CUE	lank of Er "Rates are	igland (Base for Jul 15

CURRENCY MOVEMENTS

Jul 20	£	\$
Argentina	1.5060 - 1.5075	0.9980 - 0.9990
Australia	2.2265 · 2.2280	1.4755 - 1.4765
\$raz\$	97253.5 • 97255 0	64449.0 - 64450.0
Finland	8.6575 - 6.7085	5 7475 - 5.7675
Greece		230.850 - 235.550
Hong Neng .	11.6830 • 11.6855	
ran	2350.00 · 2360.00	1580 00 - 1590.00
Korea(SU)	1202.30 - 1221.70	
Kuntrait	$0.45350 \cdot 0.45450$	0.30140 - 0.30190
Генопрое ва	52.95 - 53.05	35.25 - 35.35
Mataysta	18750 - 38825	25695 - 25705
Mexico	4.7150 - 4.7165	3.1245 - 1.1255
N.Zeakand	2.7585 · 2.7630	1 8260 - 1 8305
Şaudi Ar	5.6475 - 5.6590	3.7495 - 3.7505
Singapore	24405 - 24470	1.6195 - 1 6205
SAF (Cm)	5.0385 - 5.0495	3.3400 - 3.3514
SAI (Fm)	6.8130 · 8 8280	4.5150 - 4.5250
Tahran	40.00 - 40.15	26.50 - 38.60
UAE	5.5255 - 5.5365	16715 - 36735

In continental Europe, the French franc lost ground once again against the D-Mark, finishing in London at Ffr3.417, one centims below Monday's Ffr3.407. The Italian lira suffered even more against the D-mark, ending at L935.3, down 8 lire on Monday's finish of

Although the yen continues to be sidelined by events in Surope, the Japanese currency fell yesterday when the country's index of leading indicators fell from 63.6 to just 30. As a result, the yen fell to Y164.12 against sterling during the afternoon, down from a previ-ous closs of Y162.5. It later recovered somewhat to finish at Y162.8.

With the outlook cloudy for Japan and the core European currencles so unattractive, Britain's generally encouraging economic figures of recent week continue to attract dealers to sterling, argue many "The sterling exchange is determined by the UK I kets, not British politics." Mr Christian Dunis of Che cal Bank in London. "C pared to what is driving n currency movements, Hous Commons votes are somew

For most of the day, the lar conspicuously failed to g from tensions in the ERM. the Chairman of the Fede Reserve's comments to C gress, indicating that the n move in US rates will be rather than down, took American currency higher afternoon trading. The do finished at DM1.7090, up nea half a pfennig on Monda

DM1.7055. The American unit recovered against sterling, h ing fallen as low as \$1.51 in early afternoon. At the end trading in London, the do stood at \$1.5015 against pound, a little helow the pro

		Head	•	Jul 20 Rets			1	CORRECT			
Portuguese	Escudo	. 192	854	189.74	4	-1.81	Т	3.42	_ ;	27	
Spanish Pes	edst: Peseta 154.2 ch Guilder 2.196			152.57	3	-0.89 -0.13		2.67		10	
Dutch Gallo	ď	219	672	2.1939 0.80810		-0.07	•	1.88		25 20	
D-Mark		0.808	964	1.9491	5	-0.03	1	1.78		76	
Selekte Fran	IC	40.2	123	40.253	0)	010	1	1.66	1	4	
Daresti Kron	ė	_(7.43	679	7.5255		1.18	1	0.55	-	37	
French Fran	French Franc										
changes are spreads: the mandrages po	Eco contral rates set by the European Commission, Currencies are in descarding relative strength. Percentage changes are for Eco: a positive change denotes a weak currency, Overgeton shows the ratio between two spreads the percentage difference between the action market and Eco control rates for a currency, and the membrane permitted percentage desistion of the currency's market rate from the Eco central rate. (17/9/52) Sterling and leaten Lira seepended from ERA. Adjustment calculated by Financial Times. POUND SPOT - FORWARD AGAINST THE POUND										
PO	JND	SPOT	- FO	RWA	RD A	GAIN	ST				
Jes 20	-	ley's preed	O.	201	One	month	112	Thre	<u>.</u>	02	
U\$	1.4980			1.5020	0.39	0.37срга	304	1.07-1		2.81	
Notherlands	1.9130	- 1.9320	1.9215 · 2.8825 ·		0.35	22/com	1.94	0.09-0	.//pm	1.73	
Belgium	2.8730 52.75		2.8823 52.45		1 7	12000	-2.26	12	120s -210s	-1.32	
Denmark	9.8520	0.9430	9.8975		}	NA	MICH		NA	RIA	
freiend	1 0575	- 1.0670	1.0846 -	1.0650		2.06cds	-051	0.08-0		-0.41	
Germany	2.5540		2.5625 -			- pokda	-1.46		403	-1.07	
Portugal Spain	247,35	- 250.60 - 201.80	249.40 -		100	125cds 111cds	-6.40 -6.60	250	1496a 2856a	-4.95 -5.33	
May		2403.90	2396.50	2389.50	7	-Sireds	-3.75	19	21ds	-3.53	
Harway	10.6830	- 11.0016	10.9675 -	10.9775	14	- Torects	-0.68	3	lids Slote /lds	-0.39	
France		0.7910	8.7900 -	8.7700	114	1 2006	-1.97	314	3 Lote	-1.60	
Streden	11.8360 162.05	12.0280	11,9950 -		24-3	so eds	-275 121	320	100	-117 242	
Austria	17.97	164.20 18.10	18 05	18.08	2.1	Sproots	-091	2	1.00 1.00	-065	
Switzerland .	2.2460	- 2.2640	2.2525 -	2.2625			1.33	1 4	1,091	1.33	
Ecu	1 3150	1.3235	1.3165 -	1.3175	824	30cd4	-2.48	0.55-0	8504	-1.79	
3.20-3.10pm								THE D			
JH 20	0.	25/2			One of		-	Three		-	
	2b	read					p.s.	post	-	02	
tretamit	1.4980	4 1.5710 - 1.4160	1.5010 ·	1.5020 1,4115	0.39-0	A1com	304	1.07-1.	1300	281	
Carata	1.2750		12780	1.2790	0.10-0	L13cd	-1.03	0.32-0	3700	-1.08	
Notherlands .	1.9145	- 1.9260	1.9220 -	1,9230	0.62-0	1 65cdly	-198	1.61-1	67ds	-341	
Beighan	35.10		35.25 -	35.35	13.50-17		-5,10	38.00-40		-4.21	
Germany	1,6990	- 5.6060 - 1.7130	6.5925 ·	6.5975	051-0	62pAth	一番	1,67-1	N/A	-3.93	
Portugal		160.65	168.55		113	118cdh	-0.T	324	3900	-7.96	
Smarr	133.30	- 134.30	134.20	134.30	181-	105cda	-921	271-2	7804	-8.10	
italy	1580.50		1597.50 -		8.90-02	Ofrects	-6.60	24 00.25	504	-6.20	
Horney	7.2675 5.8050	· 7.9140 · 5.8479	7.3050 · 6.8350 ·	7.3100 58400	1.90-2.4 2.38-2	Sicile	-3.51 -5.05	5.50-8 0.43-8	6364	-323 -447	
Sweden	7.8975	- 8.0045	7.9800 4	7.9950	2.50-4.1	Conedia	-5.71	9.50-10	.50dbi (-5.00	
Japan	107.95	- 100.90	108.25 •	106.35	per-0	LOTyck	-0.06	0.034	S-par	-0.04	
Austria		- 12,0450		12.0450	3.80-4.1	Ogredia	-194	9.85-10		-3.41	
Switzerland .		1.5070	1.5035 1.1380 -	1,5045	0.20-0	.23odb .50cpm	-1.72 5.32	1.29-1.	770	1.54	
Ecurt											
Commencial ra Forward press	alen talge akuns end	discounts of	ability as Gr	ondon tra US do	ning, † Li er and not	keland to the k	and Ec	or and qualed correccy.	in US c	втоку.	
	EL	JRO-C	URRE	NCY	INTE	RES	T R	ATES		-	
Jul 20		Short	7 Say	4	Que Month	Thre		Str Months	0	- C	

EMS EUROPEAN CURRENCY UNIT RATES

Jul 20	Short Terro	7 Says auticu	Que. Month	Three Manths	Str Months	One
Sterling US Dollar US Dollar US Dollar Con, Bellar Doleh Guilder Switzs Franc O - Harit French Franc Belgian Franc Belgian Franc Soniah Franc Portuguese Ecc.	84 · 0 34 · 34 44 · 44 5 · 44 7 · 74 11 · 0 34 · 34 10 · 10 32 · 22 112 · 114 104 · 10	53 4 64 77 76 84 85 27 18 18 18 18 18 18 18 18 18 18 18 18 18	537 488 477 55 55 12 12 15 637 488 477 55 55 12 12 15 15 16 16 17 17 18 18 18 18 18 18 18 18 18 18 18 18 18	54 - 53 54 - 45 64 - 45 64 - 45 64 - 74 77 95 - 75 134 - 3 134 - 3 114 - 114 114 - 104	\$31.531.645.645.657.657.654.657.654.657.654.654.657.654.654.657.654.654.654.654.654.654.654.654.654.654	513 - 513 314 - 42 41 - 42 42 - 42 43 - 42 44 - 42 45 - 42 46 - 42 46 - 42 46 - 42 46 - 42 46 - 42 46 - 42 47 - 42
ong tarm Burodollar 52-52 per cent no		His per cent to a sales are call to CHANGE				r cost; five years i rollica.
Jul 29 g	S DM	Yea F Rr.			CS B Fr.	Pla. Ecu
£ 1 \$ 0.566	1.502 2.565 1 1.708	162.8 0.765 106.4 5.836	2258 2.8	88 2399, 1	922 53.00 280 35.29	201.4 1.317 134.1 0.877

									_		_	
			EX	CHA	NGE	CR	055	RAT	ES	,		
Jul 29	2	\$	DM	Yea	F Pr.	S Fr.	N FL	Lira	CS	B Fr.	Pts	60.
£	1	1.502	2.565	162.8	0.765	2.258	2.888	2399.	1.922	53.00	201.4	1.31
\$	0.666	1	1.708	108.4	5.836	1.503	1.923	1597	1.280	35.29	134.1	0.87
DAG	0.390	0.586	1	63.47	3.417	0.580	1.126	935.3	0.749	20.66	78.62	0.51
YEN	0.143	0.226	15.76	1000.	53.84	13.87	17.74	14736	11.81	325.6	1237	6.03
FR.	1.141	1.714	2.926	195.7	10.	2.576	3,295	2737	2.193	80.47	229.8	1.50
S Pr.	0.443	0.665	1,130	72.10	3.862	1	1.279	1062	0.851	23,47	89.19	0.57
N FL	0.346	0.530	0.888	56.37	3.035	0.762	1	830.7	0.000	10.35	69.74	0.45
Lira	0.417	0.626	1.069	67.86	3.654	0.941	1,204	1000.	0.801	22.09	83.95	0.54
C\$	0.520	0.781	1.335	84.70	4.560	1.175	1.503	1248	_1_	27.58	104.8	0.68
B Fr.	1.867	2.834	4.840	307.2	16.54	4.280	5.449	4526	3,626	100.	390.0	24
Pta	0.497	0.746	1.274	80.83	4.352	1.121	1.434	1191	0.954	25.32	100.	0.02
Ecu	0.759	1.140	1.948	123.6	6.655	1.715	2,193	1822	1.459	40.34	152.9	1.

rate mar-	Strike Calls-acttiements Puts-acttiements P	Strike Cabs-settlements Puls-settlements Price - Sep Dec Sep Dec 9500 0.54 0.61 0.23 0.04 9623 0.31 8.59 0.05 0.07 9550 0.18 0.39 0.15 0.12 9573 1.07 0.24 0.31 0.22 9600 0.02 0.13 0.51 0.38 9625 0.01 0.07 0.77 0.58	Strike Price 9500 9550 9600 9650 9700
said emi- com- most se of	110 0-28 1-01 1-44 2-59 111 0-12 0-46 2-30 3-40 112 0-05 0-32 3-23 4-26 113 0-02 0-21 4-20 5-15 Estimated volume total, Calle 1975 Pub 1073 Provious day's open int. Calle 6444 Pubs 56968	9600 0.02 0.13 0.51 0.36 9625 0.01 0.07 0.75 0.58 9650 0 0.03 0.39 0.76 9675 0 0.02 1.24 1.00 Estimated volume total, Calls 0 Puts 0 Previous day's open int. Calls 2270 Puts 1040	9750 9800 9850 Estimated et Previous day
what	LINTE EDROBLARK OPTIONS Dillio points of 190%	LIFFE ITALIAN 90YT, BOND (8TF) FUTURES OFTIONS Life 200m 1000s of 180%	UFFE 29108
dol- gain But leral Con- next up the r in	Strike Calls-settlements Puls-settlements	Strike Calis-settlements Puls-settlements Price Sep Dec Sep Dec Sep Dec 1035 1.49 2.13 0.48 1.54 1040 1.18 1.85 0.85 1.76 1045 0.86 1.81 0.85 2.02 1050 0.53 1.38 1.12 2.29 1055 0.45 1.17 1.44 2.58 1080 0.31 1.00 1.80 2.91 1065 0.20 0.84 2.19 3.25 1070 0.13 0.70 2.62 3.67 Estrated solute birth, Calis 2051 Part 15702	Strike 0 Price 9350 9375 9400 9475 9475 9500 9525 Estimated in Previous day
ollar	LONDON (LIFFE)	CHECAGO ILS. TREASURY BONDS (CST) 8%	JAPANESE
ay's elso hav- the d of ollar ths revi-	\$50,800 32hds of 19076 Gose High Low Pray. Sep 108-23 108-50 108-16 108-23 Dec 108-03 108-09 108-09 108-03 Estimated volume 27728 117543 Praydous day's open fnt. 90722 (33110) 6% NOTIONAL GERMAN 6977. 8070 Big 86.12 98.10 98.05 98.26 Dec 98.26 98.44 98.32 98.42 Estimated volume 41135 (34390) Praydous day's open fnt. 181809 (180660) 6% NOTIONAL SECRIP 1186 GERMAN 6971.	\$100,000 32ads of 100% Latest High Low Prev. Sep 115-24 115-31 115-19 115-31 Oac 114-10 114-25 114-18 114-25 Mar 112-06 112-06 112-06 112-07 Sep 111-07 111-07 111-17 Dec	Y12.5m \$ Sep Dec Mar Jun DELTSCHE DM125,000 Sep Dec Mer Jun
	Sep 99.95 100.07 99.94 100.07 Dec 100.15	Lettett High Low Prev. Sep 96.87 96.89 96.87 96.88 Doc 96.88 96.88 96.88 96.70 Mar 96.54 96.54 96.54 96.84 Jan 96.54 96.54 96.34	THREE-640 Sito point
nce nce	Estimated volume 2912 (1008) Provious day's open int. 19822 (19920) 6% ROTTONAL LONG TERM JAPANESE GOVT.	SRITISH POUND (DND) Se per 2	Sep Dec Mar - Jun
	8090 Y100e 1006s of 100% Close High Low Sep 110.19 110.28 110.17 Dec 109.32 Estimated volume 1133 (951)	Latest High Low Prev. Sep 1,5018 1,5020 1,4900 1,4918 Dec 1,4910 1,4930 1,4888 1,4830 Mer 1,4758	Sep Doc Mar Jun STAMBARD
	Traded cocksively on APT 12% NOTKINAL TIALIAN COVT. BOMD (BTP) * LIFA 200m 100Ms of 100%	SPINSS FEARC (MICH) SFr 125,000 6 per SFr Latest High Low Prev.	SSOO times Sep
entage in two nd the	Close High Low Prev. Sep 104.51 104.88 104.37 104.74 Dec 104.08 104.40 104.05 104.34 Estimated volume 15939 (14851) Previous day's open int. 53896 (53287)	Latest High Low Prev. Sep. 0.8564 0.8572 0.8640 0.8661 0.8661 0.8661 0.8661 0.8661 0.8663 0.8663 0.8663 0.8663 0.8663 0.8663	Sep Dec Mer Jun
	10% MOTIONAL SPANSN SOVT. BOHD (BONDS) Pis 20m 100ths of 100% Close High Low Pres.	PHILADELPHIA SE E/S OPTIONS 521,250 (cause per \$1)	
2.81	Sep 97.75 97.50 Dec Estimated volume 0 (0) Previous day's open int, 23 (20)	Strice Calle Calle Price Aug Seo Oct D. 1.425 7.85 7.82 8.11 8.1 1.450 5.58 5.82 8.25 0.1 1.475 2.54 4.05 4.66 5.1	C Aug
1.73 -0.75 -1.32 -1.44	THREE MONTH STEFLING ** ESDO,DGO points of 160%	1.500 1.97 2.60 3.33 4.0 1.525 0.95 1.63 2.33 3.0	0 0.56 17 1.56 16 2.97
495 495 433 333	Close High Low Prev. Sep 94.12 94.15 94.10 94.11 Dec 94.30 94.33 94.27 94.29 Mar 94.20 94.33 94.27 94.29 Jun 94.17 94.20 94.15 94.17 Sep 92.89 92.82 92.89 92.92 Est. Vol. (Inc. figs. not shown) 225504 (41155)	1.590 0.39 0.52 1.55 2.3 1.573 0.10 0.47 0.99 1.5 Previous day's open int: Calis 782.814 Puts 60 Pravious day's volume: Calis 9,030 Puts 34,94 PARIS	0 4.90 6 7.12 19,313 (All c
1.60 -1.17 2.62 -0.65 1.33	Previous day's open Int. 338560 (337817) THREE MONTH EUROBOLLAS Star points of 100%	7 to 16 YEAR 10% MOTIONAL FRENCH BOND Open Sett price Change	figh
1.79 40nft	Sap 96.62 96.64 96.59 96.64 Dec 96.16 96.27 96.25 96.27 Mar 96.12 96.10 96.19 96.20	September 120.24 120.29 -0.06 Decamber 119.82 110.90 -0.04 March 122.26 122.36 -0.04 Estimated volume 69,758 † Total Open Interest	
R	Jun 95.84 95.88 95.88 95.22 Est. Vol. (Inc. figs. not shown) 1113 (404) Previous day's open int. 13674 (13744)	THREE-MONTH PIBOR FUTURES (MATE) (Parks September 93.16 92.05 -0.14 December 94.18 94.09 -0.09	92.17
281	THREE MONTH ERROMARK * ONE top points of 100%	Narch 94.63 94.56 -0.06 fune 94.70 94.77 -0.04 Estimated volume 42,056 † Total Open Interest	94,53
327 1.06 3.41 4.31 NA 3.53 7.96	Close High Low Prev, 5ep 93.27 93.22 93.25 93.25 92.27 93.22 93.56 93.22 94.00 Mer 94.40 94.47 94.40 94.47 Ann 94.61 94.65 94.61 94.68 5ep 94.63 94.70 94.63 94.70 Estimated volume 58880 (3777.4)	GAC-40 PUTURES (MATH) Stock Index July 1995 0 -20.0 August 2007.5 1988.5 -20.0 September 2018.0 1989.5 -20.5	2000.0 2011.5 2022.5
8.10	Previous day's open Mr. 859750 (857403)	December 2031.0 2032.0 -20.0 Estimated volume 16,304 † Total Open Interest (ECU SONO (MATE)	2054,0 50,701
3.23 4.47 5.00 0.04 3.41	ECI 1 as points of 100% Close 14gh Low Prev. Sep 92.98 93.13 92.97 93.15 Dec 93.68 93.79 93.68 93.82	September 114.84 114.84 -0.16 Estinated volume 2,852 † Total Open Interest 1	11 4.84 1,920
1.54 4.50	Mar 94.07 94.15 94.05 94.17 Jun 94.16 94.21 94.14 94.24 Estimated volume 5271 (3505)	String August September Dece	
orey.	Previous day's open Int. 31181 (31048) THREE MORTH EURO SWISS FRANC	118 · 2.35 119 ·	2.45 1.75 1.23
512	Close High Low Prev.	121 0.10 0.39 122 · 0.13	0.78 ,549 3 92.571
512 413 414	Estimated volume 6027 (2664) Previous day's open int. 44267 (44086)		
44	THREE MORTH BUROLINA DAT. RATE LURA 1,000m pelots of 100% Close High Low Prov.	BASE LENDII	NG RA

Contracts traded on APT. Closing prices also

1-ent). 3-ent). 6-ent). 12-ent). 1.4977 1.4608 1.4823 1.4700

offer 3,7

POUND - DOLLAR

PT FOREIGN EXCHANGE NATES

bid 3%

	ENCE BOND	,		-
Strike August	Calls September	December	-	
118	2.35	2.65	August	•
119		1.75	0.03	
120 0.49	0.85	1.23	0.21	
121 0.10	0.39	0.78		
122	0.13	-		
Open Int 23,727	136,756	51,648	30,406	
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Merchant Banking & Securities Houses

Notice of Meeting

The European Warrant Fund

45, rue des Scillas, L-2529 Howald Grand Duchy of Luxembourg Luxembourg Registre de Commerce No. B 32792 NOTICE is hureby given that the Annual Centeral Meeting of the Fund will be hold at the Registered Office, 45, run des Scillas, L-2529 Howald, Grand Duchy of Lurerabourg no Friday, 30 July 1993 at 16.00 hours.

Agenda

1. Submission of the reports of the Board of Directors and of the Auditors;

2. Approval of the financial statements for the year ended 31 March 1993;

3. Discharge of the Oiroccors and the Auditors in respect of their duties 3. Discharge of the Uncours and no Auditor's in respect of their duties carried out for the year ended 31 March 1990;

4. Election of Directors and the Auditors for a term of one year;

5. Declaration of dividend for the period ended 31 March 1990;

6. Miscellaneous business as may properly come before the Meeting:

Resolutions on the agenda of the Annual General Meeting will require no quarum and will be taken at the majority of the shareholders present or represented.

represented.

A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a shareholder of the Fund.

By Order of the Board of Direc

HENDERSON UNIT TRUST MANAGEMENT LIMITED (Member of IMRO and Lautro)

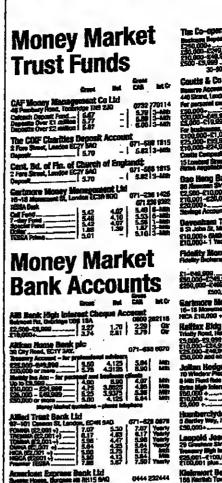
THE EAST TRUST has been merged following an approved Scheme of Amalgamation into Henderson Asian Enterprise Treest. Holders of Headerson Spirit of the East Trust units will receive

Announce with effect from 20th July 1993, HENDERSON SPRIT OF

0.473559 units in Henderson Asian Enterprise Trust for every unit

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MONEY MARKET



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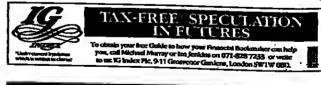
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MONEY MARKETS

German rate puzzle

European markets were yesterday awash with speculation about German interest rate cuts, as the Bundesbank offered few clear signals either way, writes Stephanie Flanders. On Monday, many in Euro-pean money markets were pre-

paring for lower German rates, claiming that the Bundssbank's two-day currency pact led the way for a lower fixed repo rate in this week's tender round. But yesterday the German central bank announced a variable rate repo tender, not the clear signal of future rate cuts which optimists had anticipated.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Analysts are divided about whether German interest rates will fall before the Bundesbank's summer recess. Arguing against are those listening to rumours that German M3 growth in June, to be released some time this week, will have been higher than the 6.6 per cent which most forecasters predicted.

that it would be closer to 7 or even 7.5 per cent, which would make it more difficult for the German central bank to lower rates at next week's council meeting.

Dealers who continue to anticipate a German rate cut claim that the current, relatively high, level of reserves among German banks will ensure that a lower repo rate emerges from this morning's tender: perhaps 7.20 per cent, down from last week's 7.28 per cent. This, they claim, would not rule out an official rate reduction next

Renewed ERM concerns took French money market rates back up to the higher levels of last week. French three month money closed at around 7.68 per cent on the hid-side, up nearly 40 basis points on Monday's bid of 7.30 per cent.

In London money markets. analysts reported a general return to economic fundamentals in the pricing of UK instruments. This, they said, was driving the rise of sterling, but would only translate fully into domestic money markets until the outcome of tomorrow's Maastricht vote in the House of Commons is known.

At the short end of sterling Yesterday morning there markets, overnight money were unsubstantiated claims traded at 5% per cent for most of the day, and closed at much the same level. The Bank of England more than met a £1.55bn shortage in technical operations in the morning and afternoon.

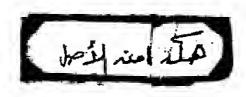
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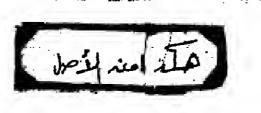


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6 1.00 6.8 7100 151; 151;
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THE EUROPEAN SERIES

following the overnight close

in New York of its parent, Walt

Disney, which fell to a new

1993 low. Euro Disney finally

closed off 20 centimes at

AMSTERDAM fell back

sharply in late trading on tech-

nical selling and some profit-

taking and the CBS Tendency

index closed the day off 2.2 or

Stocks which had made

impressive movements on

Monday slipped back, includ-

ing Nedlloyd, down Fl 2.70 to Fl 39.10, after its 10 per cent

Among other declines, Uni-

lever lost Fl 5.50 to Fl 187.70,

DSM F1 2.20 to F1 98.00 and

and denied reports that merger

talks with other European air-

KLM fell Fl 1.20 to Fl 32.20

Elsevier Fl 2.30 to Fl 135.50.

1.8 per cent at 117.2.

gain the day before.

Technology sector helps to lift US stocks

Wall Street

A REVIVAL in the technology sector helped Wall Street to move higher at lunch time vesterday after posting early losses, writes Karen Zagor in New York.

At 1pm, the Dow Jones Industrial Average was up 12.01 at 3,547.29 after falling more than 17 points earlier in the day. The more broadly based Standard & Poor's 500 was 1.51 higher at 447.57, while the Amex composite edged 0.06 lower at 433.42, and the Nasdaq composite firmed 5.15 at 700,98. Trading volume on the NYSE was close to 167m shares.

Stocks initially lost ground after Mr Alan Greenspan, chairman of the Federal Reserve, said that inflation was disappointing this year. Although the major indices had turned higher by mid-session, overall market sentiment was mixed and on the blg board, declining shares outnumbered those rising by 1,003

share price movements were

tied to quarterly results slipped \$% to \$49 and Chemical announcements Shares in Sears, Roebuck, the Chicagobased retailer, soared \$4% to \$50% on the back of second quarter earnings of \$1.51 a share, excluding one-time gains. A year ago the company earned 85 cents a share. Merck, the world's biggest

SHARES were some 3.4 per cent higher at midsession on reports that President Itamar Franco had rejected a bill that would tie monthly wage rises

The Bovespa index was np 2,027 at 61,206. This foilowed a gain of 1.5 per cent in Monday's trade.

drugs company, firmed \$1% to \$33%. The company posted operating income of 61 cents a share from 56 cents and said it would cut 2,100 jobs this year, up from a previouely announced figure of 1,000.

A number of blg US banks posted better credit quality and strong foreign and other trading profits. In spite of improved results. Citicorp eased \$1/4 to \$37%, Nationsbank

Bank held steady at \$39%. In Nasdaq trading, the tech-

nology sector turned higher after several days of being battered by Apple Computer's weak third quarter performance. Shares in Apple, which have fallen sharply since late last week, added \$1% to \$27%. The sector picked up after BMC Software unveiled strong first quarter earnings late Monday. Shares in BMC jumped \$5 to \$551/4. Also in the sector, Microsoft added \$% to \$80%, Intel firmed \$1% to \$52 and Lotus Development improved

IBM, however, fell \$% to \$42% in NYSE trading. reflecting investor concern about the company's dividend and the fear of more restructuring charges.

TORONTO continued its downward trek on soft banking and recources stocks after Monday's weakness. By noon, the TSE 300 index was 3.52 lower at 3,864.22 in volume of 28.6m

Zurich slips 2 per cent on profit-taking

A WEAK start on Wall Street was a contributory factor to losses on many of the late closing bourses, writes Our Mar-

ZURICH finally succumbed to a round of profit-taking after its recent strong run which left the SMI index down 57.9 or 2.4 per cent at 2,324.1, after a day's low of 2,317.3.

The selling pressure built up in the absence of domestic buyers and with many foreign invectors now turning their attention elsewhere.

Mr Frederick Hasslauer, of Swiss Volkebank in Zurich, believes that the market could see a further downward correction of around 3 per cent in the next two weeks. The market has been strong

since the start of the year, with a rise of 15 per cent since the beginning of May," he said. "On the back of that, a 5 per cent correction from the top of the market would be seen as a healthy sign from a chart point of view and by the market."

the political situation and

tomorrow's trial of Mr Shin

Kanemaru, former kingmaker

of the Liberal Democratic

party, sent share prices lower

in tandem with a weak futures

market, writes Emiko Terazono

in Tokyo. The Nikkei average closed

112.92 down at 20,033.00, having

opened at the day's high of

20,123.11 and fallen to the ses-

sion's low of 19,977.40 in the

Volume totalled 240m shares,

against 266m. Declines led

advances by 697 to 249, with

210 issues unchanged. The Topix Index of all first section

stocks shed 10.05 to 1,634.63

but, in London, the ISE/Nikkei

The index was initially

depressed by arbitrage linked

selling, later losing further

ground on profit-taking. Trad-

ers said that while prices were

supported by hopes of credit

easing, weak fundamentals

kept the index from rising

Calls for the resignation of

Mr Kiichi Miyazawa, the prime

ichiro Koizumi, stepped down

from his post as minister of

post and communications yes-

terday, adding pressure on Mr

A fund manager at Nippon Life, the leading life assurer,

said that it was not the time to

increase exposure to stocks.

The elections left us with a

vague uncertainty, especially

over the course of the econ-

Brokerage houses declined,

with the sector falling 1.4 per

cent, due to prospects of

EQUITIES finished near their

day's lows as a weaker bullion

price affected sentiment. The

gold shares index lost 53 to

1,875 and industrials 29 to

4,579. The overall index closed

34 lower at 4,055. De Beers

shed 25 cents to R81.75.

above the 21,000 level.

Miyazawa to resign.

omy," he added.

SOUTH AFRICA

50 index rose 0.02 to 1,244.36.

Tokyo

UBS bearers led the market lower, shedding SFr42 to SFr1.125, while selling by London investors left Nestlé down SFr27 at SFr1.048. Roche certificates continued under presdipping SFr110 to to DM412.20; but RWE lost SFr4.895. Brown Boveri contin-

ued to buck the trend. A SFr18 rise to SFr857 was attributed to market rumours that a US broker had placed the shares on its huv list.

FRANKFURT inched up to a new high in the official session, but lost it in the postbourse as the Swiss market fell. The DAX index rose 2.70 to 1,838.99 hefore an Ibis-indicated 1.828.52 in the afternoon.

Turnover eased from DM9.4bn to DM9.2bn. The worst casualties in the post bourse were, first, shares of which the market had cause to be wary and, secondly, those which had excited speculators and investors over recent days. Volkswagen saw the adverse

ruling it feared in the Spiegel/ Lopez case, incorporated Monday's post-bourse weakness to fall DM6.80 to DM351 on the session, and shed another DM4.50 to DM346.50 in the afternoon yesterday. Daimler fell DM13.50 overall to DM679.50.

BASF gained DM3.40 on its Russian and gas pipeline initia-tives, and then lost DM4.40 to DM260.50 in the afternoon; in ntilities, improved sentiment in Viag, which itself put on DM4.70 to DM412.20, reflected on RWE, which gained DM6.70

Actuaries Share Indices FT-SE July 20

Open 10.30 11.90 12.00 13.00 14.00 15.00 Glose Hourly changes FT-SE Eurobrack 100 1234.73 1234.58 1235.17 1235.45 1234.38 1231.94 1226.84 1224.85 1284.71 1285.70 1285.20 1283.10 1282.09 1282.33 1279.75 1275.46 FT-SE Eurotrack 200 Jul 18 Jul 15 Jul 14 1229.70 1278.79 1237.14 1234.37 FT-SE Eurotrack 100 1281.68 1279.32 FT-SE Eurotrack 200

Base valus 1000 (20/10/30) Highliny: 106 - 1236-32; 200 - 1385.78 Loveldey: 105 - 1224-51 200 - 1275.07. FFr56.90 as selling developed

FF0:58:00.

DM4.20 of that after hours. PARIS followed other bourses lower in the afternoon session after early trading had been lent some enpport by industrial production data which showed a 0.2 per cent rise in May against a 0.6 per

cent decline a month earlier. The GAC-40 index closed off 13.26 at 1,968.44, after a high of 1,986 and a low of 1,964, in turnover estimated at some FFr2hn. BSN extended Monday'a

FFr15 fall as fears continued to develop that branded products mare likely to face aggressive competition from non-brands. The shares closed down FFr10 at FFr842.

In the automotive sector Peugeot dropped FFr15 to FFr618 and Michelin FFr6.10 to FFr168.50: while Euro Disney picked up from its day's low of agreement. After the close the airline said that it was to combine all flights to and from the US with Northwest Airlines, its US partner.

MILAN drew strength from the strong performance of Fiat and Generali and the Comit

Northern

sets out n

restructui

index advanced 6.61 to 561.74 Rumours of an announcement before the end of the month on an asset sale or international accord helped Fiat L187 ahead to L6,948. Generali put on L331 to L40,200.

Olivetti, L53 or 3 per cent higher at L1,818, remained in demand amid speculation that it will shortly break Sip's mobile telephone monopoly.

Montedison, L65.70 or 11 per cent higher at L656.70, and Ferruzzi, L32.30 or 9 per cent ahead at L381.80, remained volatile after news of the death of the former ENI chairman, Mr Gabriele Cagliari. Montedison is involved in a judicial investigation over its involvement in Enimont, a former joint venture with ENL

STOCKHOLM remained strong, the Affärsväriden general index putting on 3.60 to 1,155.70, in spite of further easing in Ericcson B shares, down SKr13 to SKr365.

Bolsa looks for signals as Spanish economy recedes

Tom Burns gauges the post-election mood

pain's stock market professionals are making an intense study of the government that Mr Felipe Gonzalez, the newly reappointed prime minister, selected last

The Bolsa is looking for government signals that will hint at future interest rate movements and possible fluctuations in the value of the peseta. Until it is certain that it is reading such messages correctly, its watchword is

extreme caution. This is understandable. The signals so far are conflicting, while the economic problems

are all too clear. Spain is in recession. Growth estimates for this year vary between zero and minus I per cent, and the financial community has clear ideas about what has to be done. Public spending must be stopped in its tracks, it says, unit labour costs must be reduced demonstrably and private sector borrowing must become substantially cheaper.

Next week the national statistics institute will publish its labour force survey for the sec-ond quarter of the year. This is expected to show that 107,000 jobs were lost between April and June, raising the unemployment rate by one percentage point to 22.7 per cent and the jobless total to 3.4m. Surgical measures are required to kick start the economy, and the Bolsa into action. Unless the government has shown its hand forcefully by the time these first-half employment figures are published, the peseta could come under pressure.

Already there is widespread dismay over the public deficit. By May it had grown by 24.4 per cent against the first five months of last year and was already close to the total defi-

cit forecast for 1993. The political situation, however. is fluid. It is not yet

clear just how far Mr Gonz-

alez's new team is willing or able to take the required surgi-

cal measures. The new economy and finance minister, Mr Pedro Solbes, a technocrat and a nonsocialist, says he plans an austere budget and so, indeed, does Mr Gonzalez. But the prime minister also says that he wants to maintain social spending at its present levels,



and that he wants a social pact with the unions.

The unions, which recently have been negotiating wage increases of more than 6 per cent, at least 1.5 percentage points above inter-annual headline inflation, say they are willing to moderate their wage claims; but in return they will want the government to shelve a planned overhaul of Spain's rigid hiring and firing rules.
Just about the only good
news on the economic front is

that the recession has hampered imports and narrowed the trade deficit. The January to May accumulated trade deficit was down hy 38 per cent compared with the first five months of last year, and it represented 4 per cent of GDP against 6.1 per cent at the end

ertheless, is necessary. Calling for government action, market

MONDAY JULY 19 1993

players use macho images: 'Now is the time to take the bull by the horns," says one. This means, among other things, recognising that current social spending is unsustainable; and taking on the

Gestemar, the securities arm of the March group, wants "a swift and strong reduction in interest rates to 8 per cent or even lower (down from the current intervention rate of 11 per cent) during the next 12 months". It also wants the eseta to fluctuate within its ERM range, or "even leave the system if necessary".

The "cut and rum and go for growth" argument is doing the rounds in Madrid but, so far, it has made little impact among senior policy makers. This is principally because Spain needs to import capital and can ill-afford an over-weakened currency that will raise the cost of its borrowing.

A more likely scenario is a halfway house, in which the government will be more forceful than many in the market currently expect, although less so than they say is necessary.

be budget will be more restrictive than in the past, the unions will be more reasonable and unit labour costs will ease somewhat. Interest rates will come down only very gradually, tracking the Germans, and the peseta, which has remained generally below Pta77 to the D-Mark, could slide towards its central parity of Pta79.11.

In these circumstances some observers think it wise to give the Bolsa a rest for a while By the end of May, in advance of the political uncertainties and the worsening economic figures, Madrid's market had put on some 20 per cent. At the beginning of this year, this was the gain that most analysts had expected for the whole of 1993.

FRIDAY JULY 19 1999

weaker profits in light of the lost 137.00 to 22,226.56 in volequity market's recent low activity. Nomura Securities PROLONGED uncertainty over retreated Y50 to Y2.030.

Profit-taking depressed stocks which were higher early in the week on reports of the listing of DDI, a new telecom company. Ushio dropped Y19 to Y963 and Kyocera lost Y160 to Y6,300. However, trading companies with links to DDI firmed, with Itochu rising Y7 to Y572 and Mitsubishi gaining Y10 at Y1.070.

Hazama, the construction concern, fell Y19 to Y457 as the company was implicated in another bribery scandal. Nikkatsu, the bankrupt movie producer and distribu-

tor, was the day's most active issue, falling Y4 to Y19. In Osaka, the OSE average ume of 23.3m shares. Ono Pharmaceutical fell Y50 to Y5.550.

Roundup

Political uncertainty upsets Tokyo

PACIFIC Rim markets experienced mixed fortunes.

HONG KONG rebounded after early weakness and the Hang Seng index was finally 33.09 up at 6,846.81 as local, Japanese and US demand picked up on expectations of positive results from the current round of Sino-British

AUSTRALIA pushed forward through the 1,800 level, led by strong advances by BHP and CRA. The All Ordinaries index ended 9.9 higher at 1,806.1 in turnover of A\$319.5m. BHP rose 20 cents to A\$14.68, while CRA added 24 cents at A\$13.60. TAIPEI edged down in turn-over that shrank to its lowest tevel since January. The weighted index finished 9.97 lower at 3,907.84 amid concern about the economy and political tensions ahead of the ruling Nationalist party's congress in August.

MANILA blue chips advanced to catch up with the strong performance of secondary issues, and the composite index rose 29.07, or 1.8 per cent,

SEOUL was again restrained by the labour disputes at Hyundai and the need for financial institutions to meet by-monthly reserve requirements tomorrow, but the composite index managed a 0.5 improvement to 749.88.

Pakistan equities rise by 2%

KARACHI yesterday recorded one of its biggest gains this year, with the KSE index breaking through the 1,300 level, writes Farhan Bokhari in

The index finished 26.69 stronger at 1,307.43 in response to assurances from Pakistan's interim government led by Mr Moeen Oureshi, the new prime minister, that liberal economic policies

would remain on track. Mr Nasir Ali Shah Bukhari, chlef executive of brokers Khadim Ali Shah Bukhari, said the market was picking up because "short-term uncertainties were over" with the ending of the six-month long political crisis.

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July, 1993

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182.11	110.56	144.99	168.13	171.77	142.13	173.37
155.31	105.92	138.91	110.04	159.07	105.89	103.09
150.13	102.37	134.25	121.87	154.05	117.26	121.43
179.42	122.38	160.50	178.03	182.38	171.51	165.96
125.19	85.39	111.98	118.55	128.65	112.51	127.15
186.91	127.49	167.19	172.45	194.08	152.70	168.84
150.77	102.83	134.85	123.91	154.27	118.51	123.46
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160.33	103.35	143.41	141.54	162.74	137.29	137.27
166.99	113.90	149.38	163.19	170.05	157.47	160.74

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